

Topics in Banking and Political Economy

Module 4: Politics of Central Bank Independence

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Limoges, June 2–3, 2026

Key questions

Why are some agencies independent?

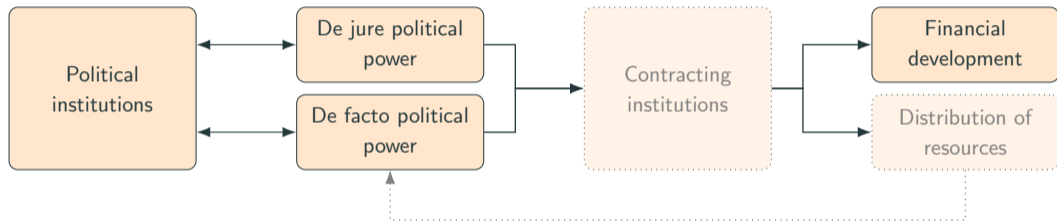
What political and institutional factors drive de jure central bank independence?

How does de facto independence interact with de jure independence?

What are the macroeconomic consequences of central bank independence (or the lack thereof)?

Is a Carbon Central Bank desirable?

Conceptual framework



Source: Lambert and Volpin (2018 [18])

**Why are some agencies
independent?**

Agency independence

Delegation of specialized missions to independent agencies:

- **Federal Reserve** safeguards price and financial stability
- **Federal Deposit Insurance Corporation** maintains stability and public confidence in the financial system
- **Environmental Protection Agency** protects human health and the environment
- ...

Independent agencies have proved better to achieve their mission than their politically controlled predecessors

Independence requires limited and mandated powers

Mission creep risks compromising independence

Officials, like all individuals, are subject to **moral hazard**:

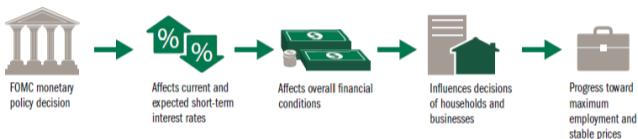
- They may exert insufficient effort
- They may make poor appointments
- They may maximize exit options to the private sector
- They may be subject to influence (lobbying, public opinion, etc.)

To make officials **accountable**, it is key to develop a sense of mission and avoid multiple missions (Tirole 2023 [22])

The Federal Reserve: a case in point

Figure 3.1. The Fed's statutory mandate: maximum employment and stable prices

The Federal Reserve conducts monetary policy in pursuit of the goals set for it by Congress. The mandated goals are considered essential to a well-functioning economy for households and businesses.



Fed Chair on accountability and transparency

"We are committed to providing clear explanations about our policies and activities. Congress has given us an important degree of independence so that we can effectively pursue our statutory goals based on objective analysis and data. We appreciate that our independence brings with it an obligation for transparency so that you and the public can hold us accountable."

Chair Jerome Powell, July 11, 2019

<https://www.federalreserve.gov/newsevents/testimony/powell20190710a.htm>

For a really great summary, click here.

Central bank independence and accountability

“Policymakers in a central bank subject to short-term political influence may face pressures to overstimulate the economy to achieve short-term output and employment gains that exceed the economy’s underlying potential. Such gains may be popular at first, and thus helpful in an election campaign, but they are not sustainable and soon evaporate, leaving behind only inflationary pressures that worsen the economy’s longer-term prospects. Thus, political interference in monetary policy can generate undesirable boom-bust cycles that ultimately lead to both a less stable economy and higher inflation.” (p.2) — [Bernanke \(2010 \[5\]\)](#)

“I am by no means advocating unconditional independence for central banks. First, for its policy independence to be democratically legitimate, the central bank must be accountable to the public for its actions ... [T]he goals of policy should be set by the government, not by the central bank itself; and the central bank must regularly demonstrate that it is appropriately pursuing its mandated goals. Demonstrating its fidelity to its mandate in turn requires that the central bank be transparent about its economic outlook and policy strategy.” (p.3) — [Bernanke \(2010 \[5\]\)](#)

Policymakers care about perceptions of independence

“There will likely also be challenges to the current operating procedures of the Federal Reserve and to its independence. We will be operating, too, in an environment in which many of the assumptions about the role of the United States in global affairs more generally that have held for more than 70 years may need to be adjusted.” (p.54) — FOMC meeting transcripts (December 13–14, 2016)

“I thought Vice Chairman Dudley was right yesterday to point out that our risks are likely to involve compromises to our credibility, and that we’re not really modeling those in a coherent way. Those are outside our usual modeling practice. An Administration that’s willing to discard the 25-year-old precedent of White House respect for the Federal Reserve’s monetary policy independence strikes me as capable of contributing to a loss of credibility.” (p.114) — FOMC meeting transcripts (December 13–14, 2016)

FEDERAL RESERVE

Powell sees tariffs raising inflation and says Fed will wait before further rate moves

PUBLISHED FRI, APR 4 2025-11:25 AM EDT | UPDATED FRI, APR 4 2025-1:39 PM EDT



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KEY POINTS

- Fed Chair Jerome Powell said Friday that he expects President Donald Trump's tariffs to raise inflation and lower growth.
- Powell added the Fed faces a "highly uncertain outlook" because of the new reciprocal levies the president announced Wednesday, keeping the Fed on hold for interest rate moves.
- "We are well positioned to wait for greater clarity before considering any adjustments to our policy stance. It is too soon to say what will be the appropriate path for monetary policy," he said.

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← Truth Details

5321 replies



Donald J. Trump
@realDonaldTrump

This would be a PERFECT time for Fed Chairman Jerome Powell to cut Interest Rates. He is always "late," but he could now change his image, and quickly. Energy prices are down, Interest Rates are down, Inflation is down, even Eggs are down 69%, and Jobs are UP, all within two months - A BIG WIN for America. CUT INTEREST RATES, JEROME, AND STOP PLAYING POLITICS!

14.8k ReTruths 64k Likes

Apr 04, 2025, 5:08 PM



Humphrey's Executor vs. United States

"In the two-and-a-half months since Donald Trump's inauguration, a rush of challenges to executive orders and directives have made their way through the courts and have now started to reach the justices in earnest. Alongside those orders, Trump fired the heads of several independent government agencies, experts who oversee technical matters of government including the enforcement of antitrust laws and review of federal workers' challenges to their dismissals. Although the president can remove most government officials for any reason, those positions are protected by Congress from firing without good cause, such as "malfeasance in office," and by a 1935 Supreme Court case that upheld such for-cause limits.

[...] The administration has indicated that it will ask the Supreme Court to overturn a 1935 decision, Humphrey's Executor v. United States, which would allow the president to do just that. In that decision, the court barred Franklin Delano Roosevelt from firing a Republican member of the Federal Trade Commission. The decision protects the heads of independent, multimember agencies from unjustified removal to allow the agencies to function without the threat of political retaliation." — SCOTUS Blog link, April 10, 2025

The case for central bank independence

Central bank independence (CBI)

Monetary policy is delegated to unelected officials and government influence on monetary policy is restricted

Institutional solution to:

- Political business cycles ([Alesina and Roubini 1992 \[2\]](#))
- Abuse of the central bank's money-printing powers to finance government spending ([Ricardo 1824 \[20\]](#))
- The time inconsistency problem generating inflation bias ([Kydland and Prescott 1977 \[17\]](#); [Barro and Gordon 1983 \[4\]](#))

Central bank independence (CBI)

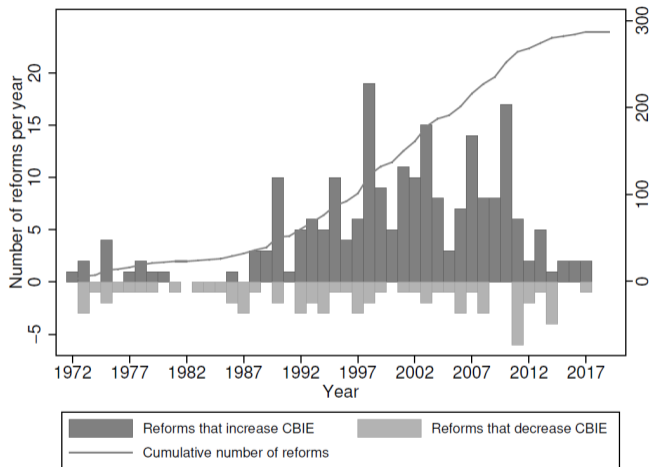
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Importance of this solution reemphasized after the **Great Recession** (Bernanke 2010 [5]) and today with global rise of **populism** (Goodhart and Lastra 2018 [13])

The rise of de jure CBI



Source: Romelli (2022 [21])

Definition of de jure CBI

“A multi-faceted and often misunderstood concept” (p.3) — Haldane (2020 [14])

From a legal perspective, CBI can be framed as:

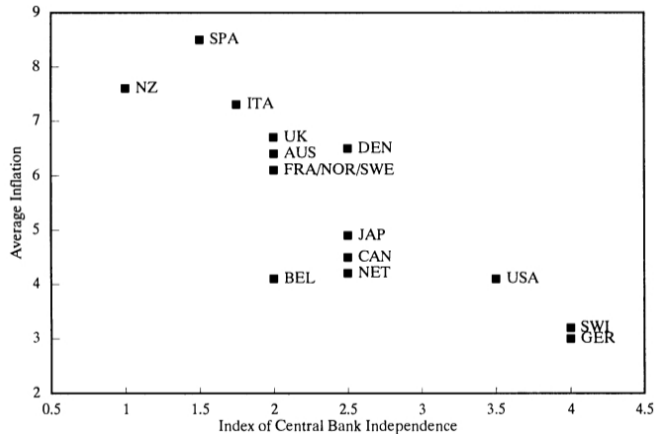
1. **Institutional** independence (e.g. legal remits and safeguards to perform tasks)
 - Target vs. instrument independence
 - Instrument independence \approx operational independence
2. **Financial and economic** independence (e.g. sufficient resources to achieve mandate, “prohibition on monetary financing” of the government)
3. **Personal** independence (e.g. appointment procedures and legal protections to decision-making individuals)

Which dimensions are most important? Survey evidence

Variable	Weighting	Percent Scored as Critical	Variable	Weighting
8. Does the central bank have financial independence?	4.68	74%	4. Can the central bank set monetary policy independently from executive branch officials?	58%
1. Is the central bank Governor / CEO independent of executive branch officials?	4.51	62%	5. Is price stability the primary objective of the central bank?	52%
10. Are state audit bodies with oversight powers explicitly restricted to examining operational efficiency aspects of the central bank?	4.47	68%	3. Does the central bank have budgetary independence from the legislature?	51%
4. Can the central bank set monetary policy independently from executive branch officials?	4.37	64%	6. Is the central bank prohibited from long-term direct lending to the government?	50%
3. Does the central bank have budgetary independence from the legislature?	4.30	66%	9. Is the central bank restricted from lending outside the financial system?	46%
6. Is the central bank prohibited from long-term direct lending to the government?	4.29	55%	10. Are state audit bodies with oversight powers explicitly restricted to examining operational efficiency aspects of the central bank?	46%
5. Is price stability the primary objective of the central bank?	4.24	56%	8. Does the central bank have financial independence?	43%
9. Is the central bank restricted from lending outside the financial system?	4.17	59%	7. Is the central bank prohibited from short-term lending to the government?	32%
2. Is the central bank's highest governing body independent of executive branch officials?	4.15	51%	1. Is the central bank Governor / CEO independent of executive branch officials?	25%
7. Is the central bank prohibited from short-term lending to the government?	4.11	57%	2. Is the central bank's highest governing body independent of executive branch officials?	17%

Source: [Adrian, Khan and Menand \(2024 \[1\]\)](#)

Central banks and their price stability mission



Source: [Alesina and Summers \(1993 \[3\]\)](#)

Factors that correlate with changes in de jure CBI

Romelli (2022 [21]) examines the drivers of reforms in central bank design (de jure CBI)

He shows that CBI reforms follow:

1. External constraints such as obtaining an IMF loan (+) and currency union (+)
2. Inflationary episodes (+), suggestive of an endogenous reform process
3. Political events (not reported here) such as democratization (+) and populism (-)

	(1)	(2)	(3)	(4) Advanced	(5) Developing
Status quo	-0.039*** (0.014)	-0.038*** (0.014)	-0.056*** (0.018)	-0.218** (0.089)	-0.038* (0.020)
Regional pressure	0.045*** (0.017)	0.046*** (0.017)	0.042* (0.022)	-0.137 (0.088)	0.080*** (0.023)
IMF programmes	0.004*** (0.001)	0.003*** (0.001)	0.004*** (0.002)	0.007 (0.004)	0.004** (0.002)
Monetary Union	0.044*** (0.006)	0.045*** (0.006)	0.042*** (0.006)	0.044*** (0.009)	0.022 (0.014)
Financial crisis		-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.004)	-0.001 (0.003)
Currency crises		-0.001 (0.002)	-0.001 (0.002)	0.008 (0.010)	-0.001 (0.003)
Sovereign debt crisis		0.006 (0.005)	0.008 (0.006)	0.006 (0.006)	0.008 (0.006)
Inflationary episodes		0.003** (0.001)	0.005** (0.002)	-0.008 (0.005)	0.005* (0.003)
Cabinet change			0.004 (0.003)	0.013* (0.007)	0.002 (0.004)
Government crisis			0.002 (0.002)	0.001 (0.003)	0.004 (0.002)
Polity _{t,j-1}			0.001 (0.000)	-0.002 (0.002)	0.001 (0.000)
Constitution _{t,j-1}			-0.009 (0.006)		-0.008 (0.007)
Government fractionalization			0.002 (0.004)	-0.017* (0.010)	0.009** (0.005)
GDP growth dummy			0.002 (0.002)	0.005* (0.003)	0.001 (0.002)
ΔEcon. globalization _{t,j-1}			0.001** (0.000)	-0.001 (0.001)	0.001** (0.000)
Debt to GDP _{t,j-1}			-0.001 (0.000)	0.001 (0.000)	-0.001 (0.000)
Observations	5,592	5,592	3,886	1,044	2,842
Number of countries	151	151	133	33	108
R-squared	0.099	0.101	0.118	0.315	0.107

Source: Romelli (2022 [21])

De jure CBI \neq de facto CBI

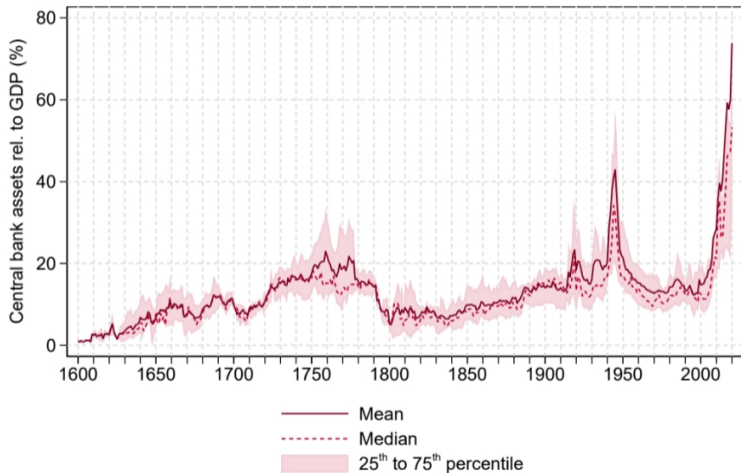
- Laws are incomplete
- Actual practice may deviate
- Reforms may give rise to a “seesaw effect”

Evidence of lost independence

Five recent studies

1. Profit concerns: [Goncharov, Ioannidou and Schmalz \(2023 \[12\]\)](#)
2. Governor appointments: [Ioannidou, Kokas, Lambert and Michaelides \(2026 \[15\]\)](#)
3. Governors' backgrounds: [Mishra and Reshef \(2019 \[19\]\)](#)
4. Governors' meetings with the President: [Drechsel \(2026 \[8\]\)](#)
5. Research production: [Fabo, Jancokova, Kempf and Pastor \(2021 \[9\]\)](#)

Central bank balance sheets larger than ever before



Source: [Ferguson, Kornejew, Schmelzing and Schularick \(2025 \[10\]\)](#)

Central bank profitability

Goncharov et al. (2023 [12]) offer a systematic analysis of whether central banks are concerned about the level or sign of their **accounting profits**

And if so, what are the likely **drivers** and **consequences** of such concerns?

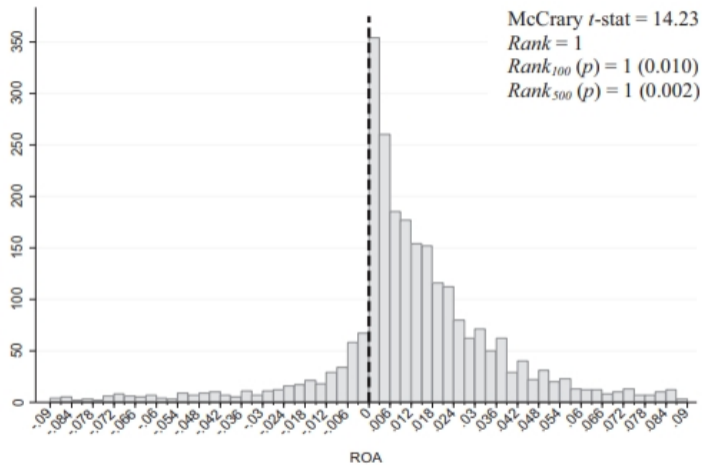
Context:

- Absent frictions, central bank accounting does not matter
- In theory, profit concerns lead to credibility problems and deviations in policy
- Profit concerns can also serve as a commitment device

How to measure preference for profits?

- Key idea: check for a discontinuity in profit distribution at 0

Is there a discontinuity?



Source: [Goncharov et al. \(2023 \[12\]\)](#)

What factors drive the discontinuity?

The significance and magnitude of the discontinuity varies predictably with central banks':

1. **ability** to control their reported income
2. **incentives** to avoid losses

Interestingly, de jure CBI does not fix it

The relations are **unique** to the 0-profit threshold

Multivariate Analysis

The table reports results of the OLS regression analysis using a symmetric window around the zero-profit threshold [-0.003, 0.003]. Column (3) widens this window to [-0.006, 0.006]. The dependent variable equals one if central bank i in period t reports an ROA in the small-profit interval, and zero if it reports an ROA in the small-loss interval. Detailed variable definitions and data sources are reported in the [Appendix](#). Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels for two-tailed tests.

	Profit (1)	Profit (2)	Profit (3)
Local accounting standards	0.079 (0.060)	0.137 (0.083)	0.130** (0.062)
Central bank governor reappointable	0.169** (0.073)	0.187** (0.092)	0.177*** (0.063)
Extreme party affiliation (left or right)	0.128*** (0.031)	0.128** (0.050)	0.097** (0.041)
Publicly traded	0.067** (0.028)	0.114* (0.063)	0.133*** (0.046)
Central bank total assets to GDP	0.022 (0.049)	-0.022 (0.085)	0.011 (0.062)
High dividend payout ratios	0.143*** (0.051)	0.132* (0.068)	0.119** (0.046)
Central bank has positive equity	0.201 (0.181)	0.176 (0.194)	0.207 (0.157)
Central bank de jure independence		0.069 (0.068)	0.032 (0.056)
Do not incur interest on reserves		-0.014 (0.084)	-0.097 (0.102)
ROA volatility		1.552 (1.422)	-0.032 (1.143)
Exchange rate peg		0.072 (0.075)	0.097* (0.052)
Growth rate of nominal GDP		-0.401 (0.251)	-0.328* (0.188)
Low-income countries		0.102 (0.074)	0.105* (0.057)
Constant	0.337* (0.190)	0.192 (0.236)	0.195 (0.192)
R^2	0.11	0.14	0.15
Observations	223	168	298

Do profit concerns relate to monetary policy?

Loss Avoidance and Interest Rates

The table reports estimates of a forward-looking Taylor rule using the two-step GMM estimator with a robust weighting matrix and a symmetric window around the zero-profit threshold $[-0.003, 0.003]$. The dependent variable is the interest rate on short-term Treasury bills of country i at time t . *Profit* is an indicator for whether a central bank reports a profit or a loss for the period between t and $t+1$. *Inflation* denotes the inflation rate of country i between t and $t+1$. *Output gap* of country i between t and $t+1$ is calculated as the difference between actual GDP and predicted GDP based on the HP filter. *Real exchange rate* is the real effective exchange rate of country i at time t . Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels for two-tailed tests.

	Interest Rates	
	(1)	(2)
Profit	-0.011*** (0.0004)	-0.005** (0.002)
Inflation	0.772*** (0.008)	0.780*** (0.008)
Output gap	0.083*** (0.002)	0.080*** (0.003)
Lagged interest rate	0.528*** (0.003)	0.532*** (0.004)
Real exchange rate		-0.0001*** (0.00002)
Hansen's J-test (p -value)	0.56	0.38
Observations	140	140

Source: [Goncharov et al. \(2023 \[12\]\)](#)

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Interest Rates

(1)

(2)

Takeaways from [Goncharov et al. \(2023 \[12\]\)](#)

- Discontinuity suggests that losses are not (perceived to be) frictionless
- Discontinuity increases in ability and incentives to manage earnings
- Profit concerns relate to policy and may create a preference for low interest rates, at the expense of higher inflation rates

Source: [Goncharov et al. \(2023 \[12\]\)](#)

Governor appointments

Politicians may seek to retain control over monetary policy by **getting their own people** into the top central bank jobs

Why care about the central bank governor/CEO?

- “Leaders matter” (Jones and Olken 2005 [16])
- “Managers matter” (Bertrand and Schoar 2003 [6])

Incentives to do so may be greater as de jure CBI increases

Anecdotal evidence is plentiful



“President Donald Trump has demanded that interest rates should be slashed, speculated about firing the boss of the Federal Reserve. . . India’s government has replaced a capable central-bank chief with a pliant insider who has cut rates ahead of an election. . . Rather than win by force of argument, they are seeking an edge by getting their own people into the top jobs.” — The Economist (April, 2019)

Governor appointments and the erosion of CBI

Have central bank governor appointments become more, or less political, following central bank legislative reforms?

- Narrative #1: + correlation
- Narrative #2: no (or -) correlation

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Research questions in [Ioannidou et al. \(2026 \[15\]\)](#)

1. Which of these two narratives better describes the data?
2. Do political appointees behave differently while in office?
3. Do political appointees lead to worse policy outcomes?

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Research questions in [Ioannidou et al. \(2026 \[15\]\)](#)

1. Which of these two narratives better describes the data? #2
2. Do political appointees behave differently while in office? Yes
3. Do political appointees lead to worse policy outcomes? Yes

Data on 317 governor appointments from several sources

Governor appointments:

- Biographical information [▶ Further details](#)
- Press coverage [▶ Further details](#)
- Expert opinions [▶ Further details](#)

De jure independence:

- De jure CBI indices ([Romelli 2022 \[21\]](#))
- Operational independence reforms (e.g. BoE Act of 1998)

Governor Independence (GI) index

The 3 criteria are combined as:

$$GI_{it} = \frac{1}{n} \sum_{j=1}^n C_{it}^j,$$

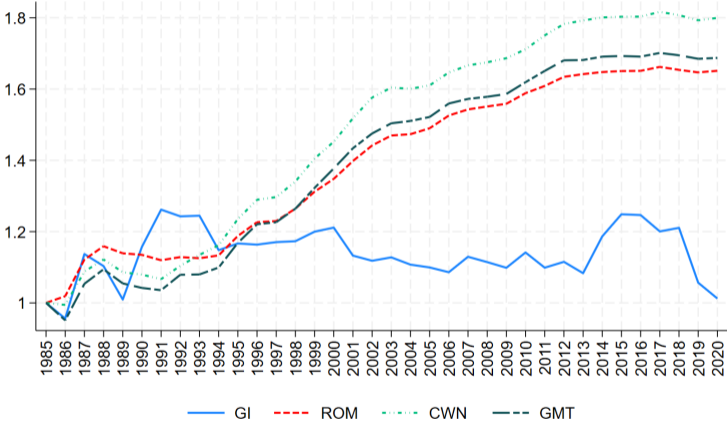
where C_{it}^j equals 1 if appointment i at t is independent according to criterion j (out of n) and 0 otherwise

Higher values → higher independence

Alternatives: GI PCA and High GI

	N	Mean	SD
Criteria			
Executive ties	296	0.446	0.498
Press	317	0.625	0.485
Experts	294	0.612	0.488
Indices			
GI	274	0.549	0.372
GI PCA	273	0.692	0.260
High GI	274	0.292	0.456

De jure CBI and GI: unconditional

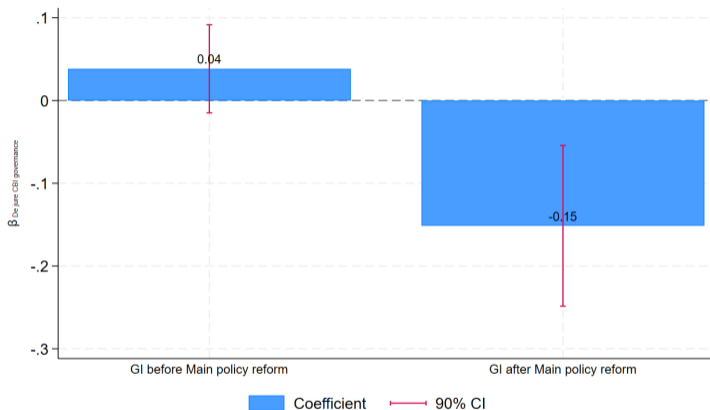


De jure CBI and GI: conditional

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dependent variable:	GI			Executive ties	Press	Experts	GI PCA	High GI
De jure CBI	-0.027 (0.031)	-0.047 (0.032)	0.013 (0.040)	0.022 (0.049)	-0.003 (0.043)	0.018 (0.051)	0.001 (0.028)	0.052 (0.053)
Country characteristics		YES	YES	YES	YES	YES	YES	YES
Governor characteristics		YES	YES	YES	YES	YES	YES	YES
Country FE			YES	YES	YES	YES	YES	YES
Observations	251	223	222	222	222	222	221	222
R-squared	0.005	0.122	0.468	0.397	0.441	0.567	0.443	0.348

1. Focusing only **de jure personal independence**
2. Estimating specifications separately for **developed and developing countries**
3. Estimating specifications dropping **EZ central banks**
4. Examining the role of **populism** and **external constraints**

A “seesaw” effect

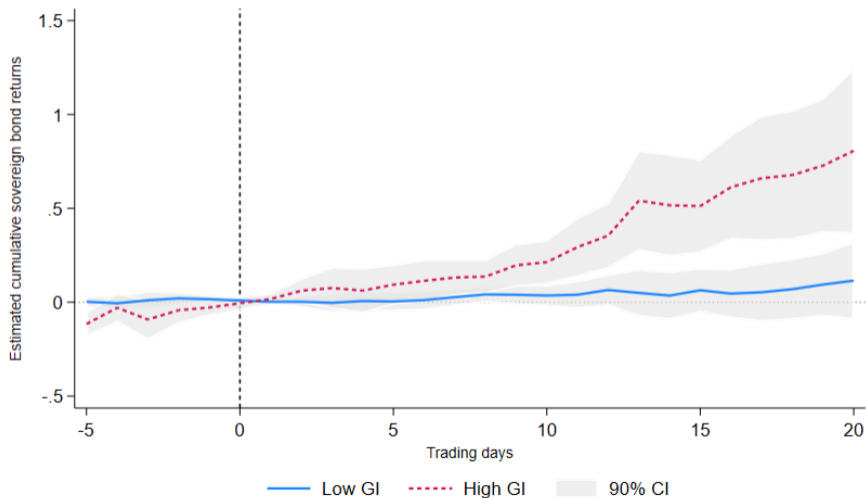


$$GI_{i,c,t} = \beta_1 \cdot \text{de jure CBI governance}_{c,t} + \beta_2 \cdot \text{de jure CBI governance}_{c,t} \cdot \text{Main policy reform}_{c,t} \\ + \beta_3 \cdot \text{Main policy reform}_{c,t} + \gamma \cdot \mathbf{X}_{c,t} + \delta \cdot \mathbf{Z}_{i,c,t} + \alpha_c + \varepsilon_{i,c,t}$$

Governor independence in office

1. Financial market reactions → **expected** conduct of monetary policy
2. Expert assessments → **perceived** conduct of monetary policy
3. Monetary policy communication → **actual** conduct of monetary policy

Sovereign bond returns



FX market reactions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Dependent variables:	FX returns [-3,+3]			FX returns [-5,+5]			FX returns [-10,+10]		
High GI	-0.107 (0.087)	-0.117 (0.087)	-0.133 (0.108)	-0.105 (0.087)	-0.112 (0.087)	-0.123 (0.112)	-0.102 (0.087)	-0.111 (0.086)	-0.118 (0.110)
Country characteristics		YES	YES		YES	YES		YES	YES
Governor characteristics		YES	YES		YES	YES		YES	YES
Country FE			YES			YES			YES
Observations	91	84	66	91	84	66	91	84	66
R-squared	0.031	0.173	0.577	0.029	0.185	0.574	0.028	0.177	0.575

Expert assessments

	(1)	(2)	(3)	(4)
Dependent variable:	Experts (hindsight)			
High GI	0.296*** (0.045)	0.291*** (0.051)	0.254*** (0.045)	
High GI (excluding Experts)				0.172*** (0.035)
Country characteristics		YES	YES	YES
Governor characteristics		YES	YES	YES
Country FE			YES	YES
Observations	274	241	239	239
R-squared	0.177	0.312	0.680	0.645

Monetary policy communication

	(1)	(2)	(3)
Dependent variable:	Δ Transparency index		
High GI tenure	1.118*** (0.262)	0.727*** (0.244)	0.298** (0.131)
Country characteristics		YES	YES
Governor characteristics		YES	YES
Year FE		YES	YES
Country FE			YES
Observations	762	657	657
R-squared	0.024	0.305	0.918

* Results robust using LP and SCM estimations

Governor independence and inflation outcomes

[Alesina and Summers \(1993 \[3\]\)](#) provide early evidence that de jure CBI is associated with lower inflation rates

Later studies found this relationship is not robust (e.g. [Haldane 2020 \[14\]](#))

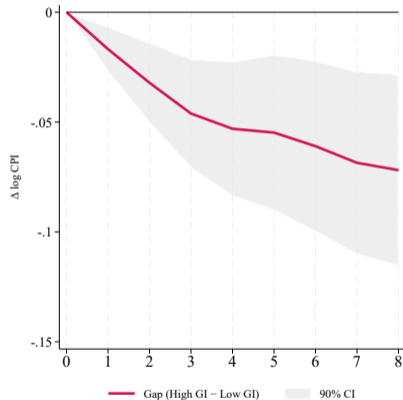
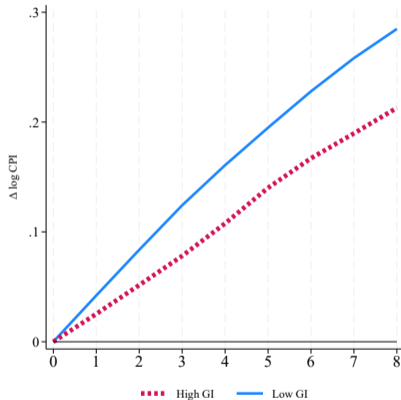
A possible explanation is that legal reforms do not guarantee de facto independence

To test this, [Ioannidou et al. \(2026 \[15\]\)](#) rely on their GI index to examine inflation outcomes using similar strategies than [Funke, Schularick and Trebesch \(2023 \[11\]\)](#)

Panel estimates

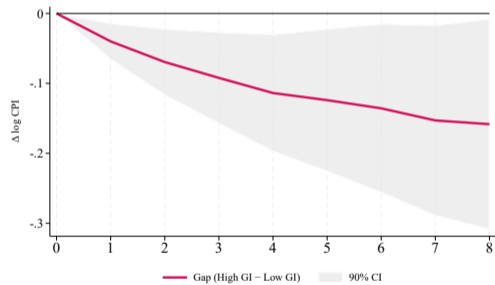
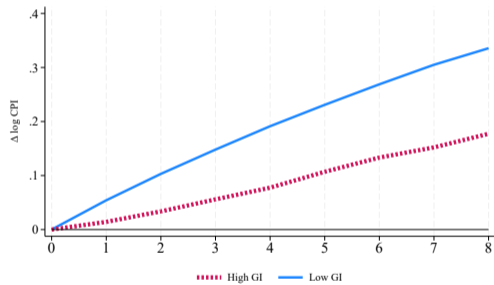
	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable:	Inflation					
Sample:	All countries			Non-EZ countries		
High GI tenure	-0.037*** (0.006)	-0.032*** (0.006)	-0.028*** (0.007)	-0.053*** (0.012)	-0.022** (0.010)	-0.022** (0.010)
De jure CBI		-0.017*** (0.005)	-0.002 (0.004)	-0.009 (0.006)	0.006 (0.015)	0.007 (0.018)
Government stability			-0.026*** (0.007)	-0.027*** (0.007)	-0.015** (0.006)	-0.018** (0.007)
IMF program			-0.029** (0.013)	-0.010 (0.009)	-0.002 (0.015)	-0.010 (0.018)
Early replacement			0.038*** (0.012)	0.036*** (0.012)	0.015 (0.020)	0.028 (0.028)
PhD degree			-0.030*** (0.011)	-0.022** (0.011)	-0.013 (0.009)	-0.006 (0.011)
Advanced related degree			0.040*** (0.011)	0.041*** (0.012)	0.029*** (0.010)	0.030** (0.014)
Central bank			-0.025*** (0.010)	-0.027*** (0.010)	-0.024 (0.020)	-0.037 (0.030)
International organization			0.007 (0.013)	0.010 (0.013)	0.021 (0.018)	0.034 (0.028)
Academic institution			0.028*** (0.009)	0.034*** (0.010)	0.014 (0.018)	0.021 (0.023)
Financial sector			-0.010 (0.009)	-0.008 (0.008)	-0.018 (0.022)	-0.022 (0.026)
Government advisory body			-0.022*** (0.004)	-0.027*** (0.005)	0.013 (0.009)	0.016 (0.012)
Inflation target				-0.045*** (0.014)	-0.085*** (0.032)	-0.077** (0.033)
High GI tenure × Inflation target				0.062*** (0.018)	0.031 (0.024)	0.036 (0.023)
Year FE			YES	YES	YES	YES
Country FE					YES	YES
Observations	1,399	1,355	1,144	1,144	1,143	958
R-squared	0.009	0.020	0.114	0.127	0.323	0.324

LP estimates

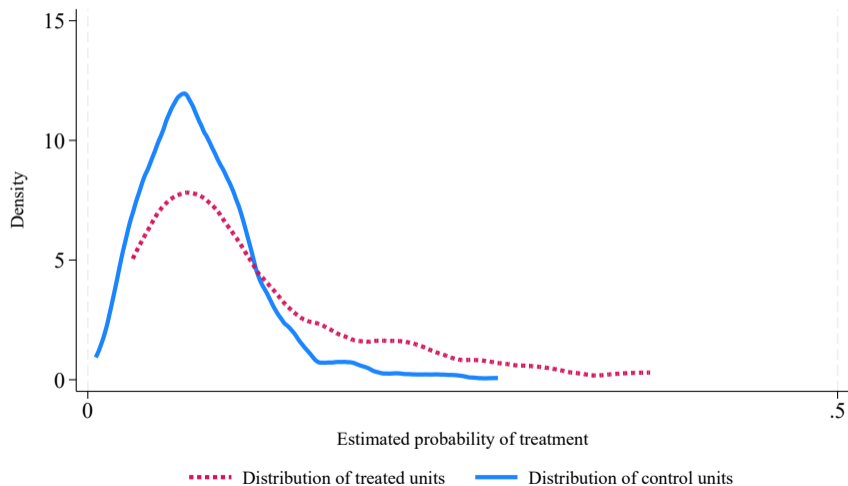


$$\Delta_h \text{CPI}_{c,t+h} = \beta_H^h \cdot \text{High GI}_{c,t} + \beta_L^h \cdot \text{Low GI}_{c,t} + \sum_{j=1}^{\ell} \gamma_j^h \cdot \mathbf{X}_{c,t-j} + \delta^h \cdot \mathbf{Z}_{i,c,t} + \alpha_c^h + \varepsilon_{c,t}^h$$

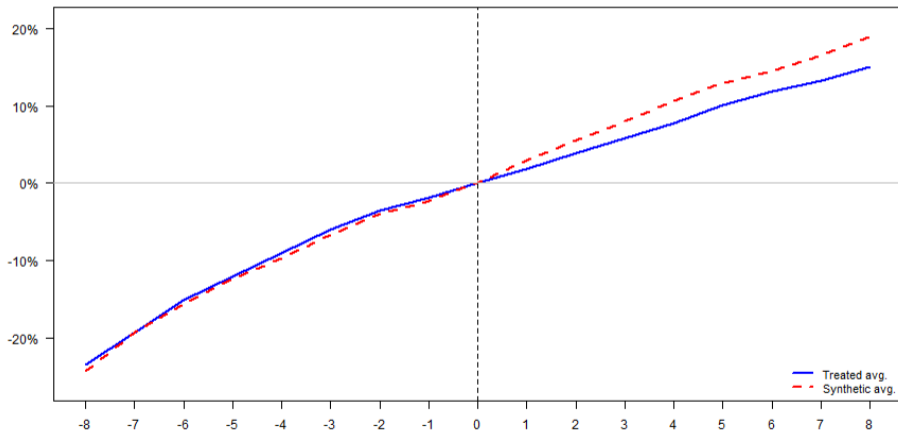
IPWRA LP estimates



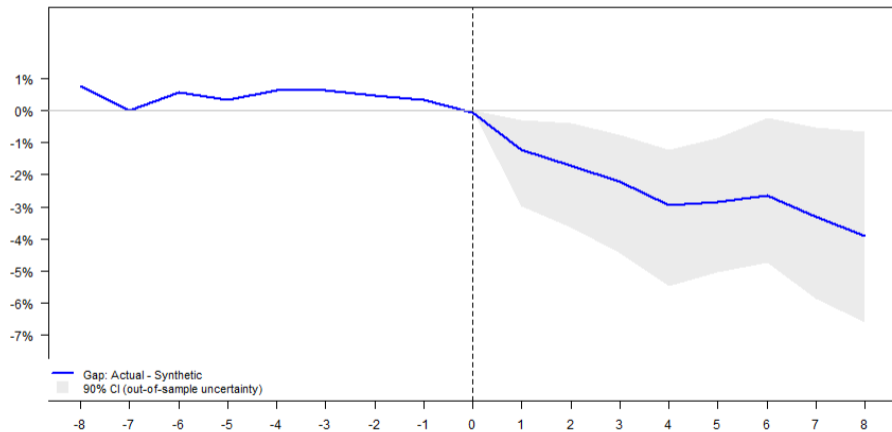
First-stage logit prediction



SCM baseline estimates



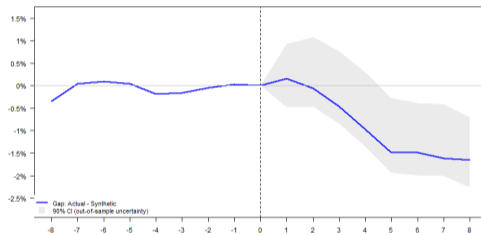
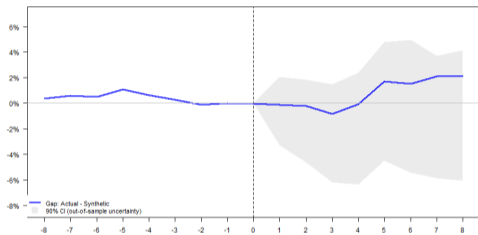
SCM baseline estimates (gap)



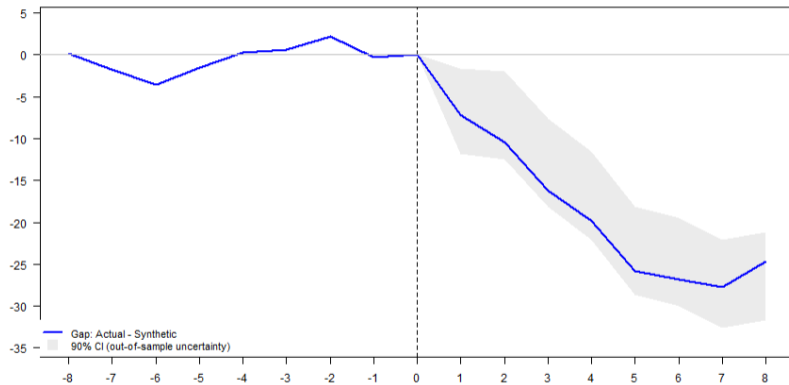
Robustness tests for SCM

1. Country placebos
2. Penalized SCM
3. Partially pooled SCM
4. Alternative coding of events
5. Alternative estimation windows

Real GDP and unemployment



Public debt



Governor appointment, de jure CBI and the macroeconomy: main takeaway

The findings of [Ioannidou et al. \(2026 \[15\]\)](#) illustrate that de jure CBI is not sufficient to guarantee that central banks are not captured by political interests → **The selection of governors matters**

“Trustees [governors] must be loyal to their mandate, not to their principal [government]. This creates a double-layered problem. First, in the usual way, candidates to take on the role of trustee might pose as something they are not in order to get the trappings and/or power of the job. Second, the principal making the appointment has incentives to appoint an ally whose loyalty is to them, not to the mandate. The two hazards are linked, potentially deterring well-qualified candidates from applying at all, in an appointments-process manifestation of what is known as adverse selection.” (p.88) — [Tucker \(2019 \[23\]\)](#)



L'ancien haut fonctionnaire de gauche a été choisi par François Hollande pour diriger la banque centrale tricolore. Mais son passé de dirigeant de BNP Paribas, durant douze ans, fait jaser.

Further evidence from around the world



Research question in [Mishra and Reshef \(2019 \[19\]\)](#)

Are appointed governors with experience in the financial sector associated with financial deregulation?

■ de la Banque de France

L'ancien haut fonctionnaire de gauche a été choisi par François Hollande pour diriger la banque centrale tricolore. Mais son passé de dirigeant de BNP Paribas, durant douze ans, fait jaser.

Governors' background also matters

TABLE 5
FINANCIAL SECTOR REFORMS AND EXPERIENCE OF CENTRAL BANKER

	Dependent variable: financial sector reform in (country, year)						
	[1] Baseline	[2] Lag index x experience	[3] Central bank independence	[4] Left leaning government I	[5] Left leaning government II	[6] Tenure as governor	[7] Age
Lagged level of index	-0.144*** [0.016]	-0.137*** [0.016]	-0.144*** [0.017]	-0.140*** [0.016]	-0.139*** [0.016]	-0.145*** [0.016]	-0.153*** [0.018]
Past experience in private financial sector	1.086** [0.493]	2.599* [1.366]	-0.102 [0.784]	1.147** [0.526]	1.131** [0.526]	1.488** [0.661]	1.312** [0.537]
Past experience in private financial sector * Lagged level of index		-0.025 [0.018]					
Past experience in private financial sector * High central bank independence			2.381** [1.034]				
Past experience in academia	0.690* [0.393]	0.601^ [0.395]	0.938** [0.412]	0.644^ [0.441]	0.643^ [0.438]	0.723* [0.394]	0.771* [0.405]
Past experience in other private sector	0.489 [0.417]	0.476 [0.415]	0.416 [0.414]	0.417 [0.468]	0.398 [0.465]	0.505 [0.424]	0.287 [0.422]
Past experience in central banking	0.149 [0.361]	0.163 [0.361]	-0.023 [0.350]	0.26 [0.374]	0.272 [0.372]	0.105 [0.370]	0.189 [0.408]
Past experience in ministry of finance	0.012 [0.423]	0.037 [0.417]	-0.354 [0.420]	0.107 [0.439]	0.095 [0.438]	0.009 [0.426]	0.315 [0.463]
Past experience in international organization	-0.775** [0.376]	-0.789** [0.371]	-0.385 [0.361]	-0.816** [0.406]	-0.795* [0.406]	-0.752** [0.373]	-0.852** [0.386]

Governors' background also matters

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Past experience in private financial sector	1.086** [0.493]	2.599* [1.366]	-0.102 [0.784]	1.147** [0.526]	1.131** [0.526]	1.488** [0.661]	1.312** [0.537]
Past experience in private financial sector * Lagged level of index		-0.025 [0.018]					
Past experience in private financial sector * High			2.381** [1.034]				
Past experience in international organization	-0.775 [0.376]	-0.789 [0.371]	-0.385 [0.361]	-0.816 [0.406]	-0.795 [0.406]	-0.752 [0.373]	-0.852 [0.386]

Key result of Mishra and Reshef (2019 [19])

Having a governor with finance experience increases the annual rate of financial deregulation by 50%

Historical evidence from the U.S.

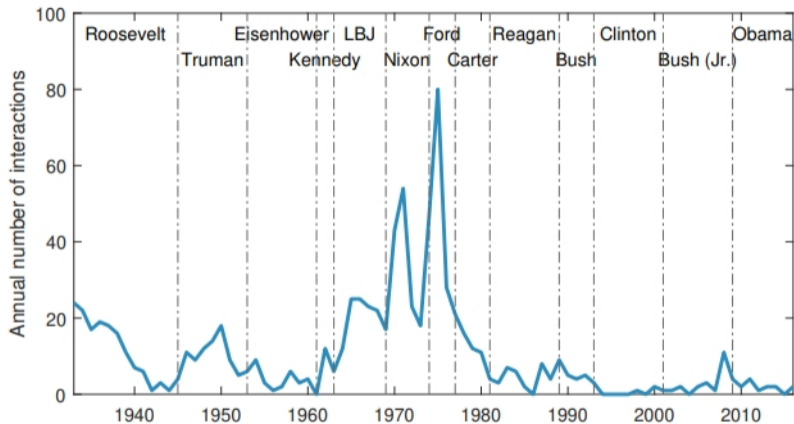
Drechsel (2026 [8]) studies historical interactions and political pressure on the e
Federal Reserve

He obtains schedules of all presidents until 2016 (Trump and Biden schedules not
public yet)

He then identifies meetings between presidents and Fed officials → one measure of
potential external pressure

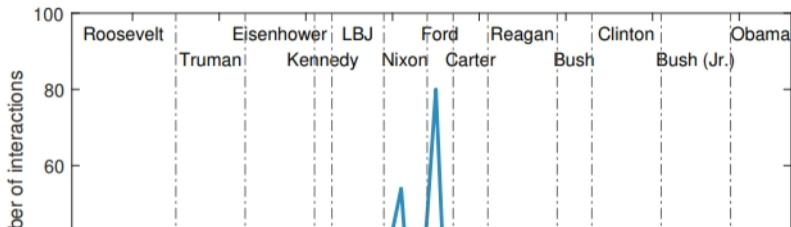
He constructs an index to quantify effects on inflation and other macroeconomic
outcomes

President-Fed interaction count through time



Source: Drechsel (2026 [8])

President-Fed interaction count through time



Highlights

- Clinton: 6 interactions in 8 years; Nixon: 160 interactions in 5.5 years
- Second half of 1971: Nixon speaks with Burns on average every 5 days
- But personal interactions do not necessarily capture political pressure

Source: [Drechsel \(2026 \[8\]\)](#)

Nixon's appointment of Arthur Burns



Nixon during Arthur Burns' swearing-in ceremony in 1970:

"I respect his independence. However, I hope that – independently – he will conclude that my views are the ones that should be followed."

Some quotes from Arthur Burns' diary

"I am convinced the President will do anything to be reelected." (March 1971)

"I watched his face, as he spoke, with a feeling of dismay; for his features became twisted and what I saw was uncontrolled cruelty." (July 1971)

"I got a stern letter from the President urging me start expanding the money supply and predicting disaster if this didn't happen." (October 1971)

"President at this meeting again expressed his concern about the money supply. I reminded him that I was looking after that properly." (November 1971)

Political pressure shock has macroeconomic consequences

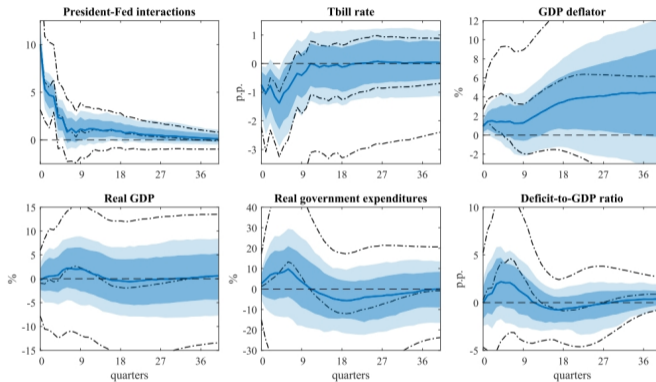
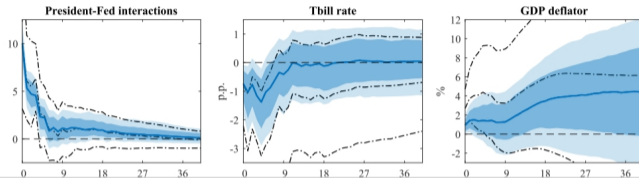


FIGURE 5
IRFs to a political pressure shock

Notes: The solid blue lines and dark (light) blue shaded areas represent the median IRFs and 68% (90%) credible intervals to a political pressure shock, defined by the restrictions in Table 1. The superimposed black dashed-dotted lines correspond to the IRFs and corresponding 68% bands to a shock identified with traditional sign restrictions but *without* the narrative sign restrictions. The sample is 1933:Q1-2016:Q4

Political pressure shock has macroeconomic consequences



Takeaways from Drechsel (2026 [8])

When the President pressures the Fed to ease monetary policy:

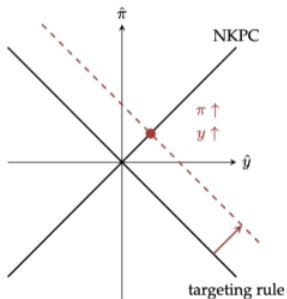
1. inflation and inflation expectations increase gradually and strongly
2. insignificant response of real economic activity
3. transmission is different from typical monetary policy expansion

50% as much pressure as Nixon, for six months, raises U.S. price level by 7% over the following decade

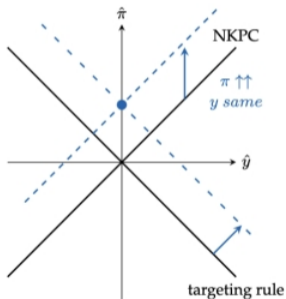
Theoretical discussion: simple new Keynesian arithmetic

→ Why do the inflationary effects of political pressure occur without an increase in real economic activity?

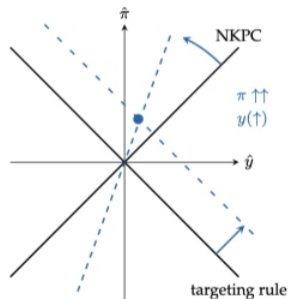
(a) Pure monetary expansion



(b) With NKPC shift



(c) With NKPC steepening



Fabo et al. (2021 [9]) compare research on the effectiveness of quantitative easing (QE) by central bank researchers and academic economists

They also survey central banks to understand research process

Central banks evaluating their own policies:

"The good news is that, by most accounts, QE appears to have succeeded at boosting growth and lifting inflation. Martin Weale, a member of the BoE's interest-rate setting Monetary Policy Committee, found asset purchases worth 1% of national income boosted UK gross domestic product by about 0.18% and inflation by 0.3%. A study by John Williams, president of the San Francisco Federal Reserve, concluded that asset purchases had reduced the US unemployment rate by 1.5 percentage points by late 2012 and helped the economy avoid deflation."

— *The Financial Times* (January 20, 2015)

All articles on macroeconomic effects of unconventional monetary policies in U.S., U.K., or Euro area written before July 2018

Search for forty terms on Google Scholar and Repec IDEAS

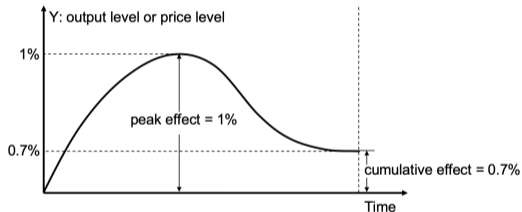
- Select all papers on first 10 pages of search results in both portals
- Paper must quantify the effect of QE on either output or inflation
- Examine papers cited by, and papers that cite, these papers (2 rounds)

Final sample: 54 articles (“shades”), 137 authors (116 unique)

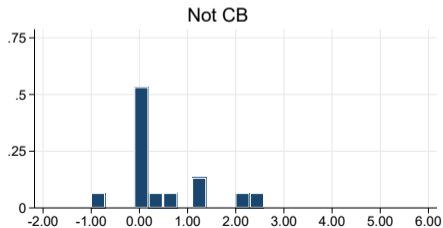
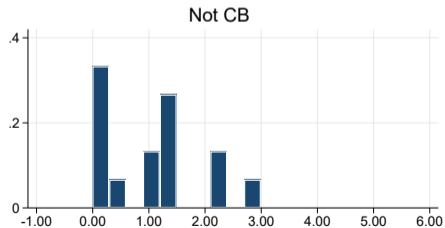
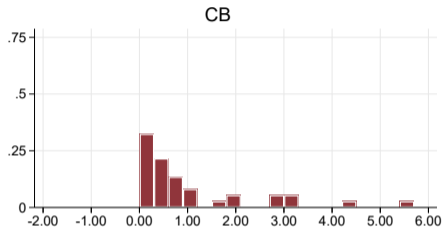
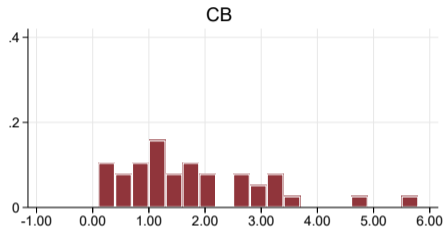
- 60% of authors are affiliated with a central bank

Main outcome variables

- **Peak effect** of QE program studied on the output (or price) level
- **Cumulative effect** of QE program studied on the output (or price) level
- **Standardized effects**, where QE shock is standardized to 1% of GDP level prior to QE
- Statistical and economic **significance**



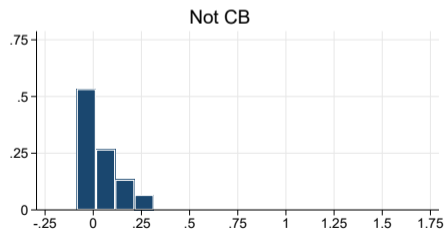
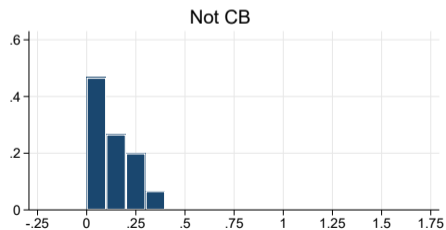
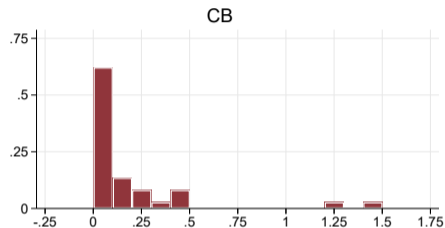
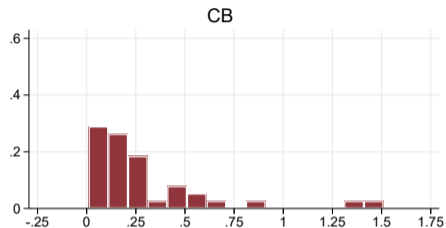
Do central bankers find larger effects on output?



Peak effect on output

Cumulative effect on output

Do central bankers find larger effects on output?



Standardized peak effect on output

Standardized cumulative effect on output

Do central bankers find larger effects on output and inflation?

Effects of QE on Output. This table regresses the estimated effects of QE on output on the share of authors with central bank affiliation. In Panel A, we use the total estimated effect of the QE program studied on the level of output. Panel B uses the estimated effect on the level of output, after standardizing the QE program size to 1% of GDP. Controls include the number of authors and the logarithm of three plus the average author experience. *t*-statistics, reported in parentheses, are based on standard errors clustered at the paper level. *p*-values obtained using the wild cluster bootstrap procedure (10,000 repetitions) are reported in square brackets. The unit of observation is the paper-country.

	Peak Effect			Cumulative Effect		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: Total Program Effect</i>						
CB Affiliation	0.789 (2.16) [0.041]	0.770 (2.17) [0.038]	0.723 (1.83) [0.085]	0.620 (1.60) [0.115]	0.526 (1.51) [0.134]	0.512 (1.36) [0.167]
Country FE		X	X		X	X
Controls			X			X
Observations	58	58	58	57	57	57
R ²	0.072	0.103	0.112	0.043	0.091	0.096
<i>Panel B: Standardized Effect</i>						
CB Affiliation	0.164 (2.38) [0.021]	0.163 (2.48) [0.018]	0.152 (2.11) [0.052]	0.140 (2.17) [0.021]	0.127 (2.17) [0.020]	0.122 (1.90) [0.049]
Country FE		X	X		X	X
Controls			X			X
Observations	58	58	58	57	57	57
R ²	0.060	0.170	0.206	0.048	0.078	0.106

Effects of QE on Inflation. This table regresses the estimated effects of QE on inflation on the share of authors with central bank affiliation. In Panel A, we use the total estimated effect of the QE program studied on the price level. Panel B uses the estimated effect on the price level, after standardizing the QE program size to 1% of GDP. Controls include the number of authors and the logarithm of three plus the average author experience. *t*-statistics, reported in parentheses, are based on standard errors clustered at the paper level. *p*-values obtained using the wild cluster bootstrap procedure (10,000 repetitions) are reported in square brackets. The unit of observation is at the paper-country level.

	Peak Effect			Cumulative Effect		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: Total Program Effect</i>						
CB Affiliation	1.409 (3.42) [0.002]	1.493 (3.33) [0.002]	1.279 (2.79) [0.011]	1.700 (2.24) [0.011]	1.687 (2.20) [0.013]	1.394 (2.04) [0.044]
Country FE		X	X		X	X
Controls			X			X
Observations	53	53	53	53	53	53
R ²	0.142	0.239	0.298	0.126	0.126	0.195
<i>Panel B: Standardized Effect</i>						
CB Affiliation	0.197 (2.61) [0.007]	0.227 (2.73) [0.005]	0.201 (2.73) [0.004]	0.205 (2.31) [0.004]	0.220 (2.31) [0.004]	0.190 (2.41) [0.007]
Country FE		X	X		X	X
Controls			X			X
Observations	53	53	53	53	53	53
R ²	0.110	0.248	0.296	0.106	0.186	0.226

Source: Fabo et al. (2021 [9])

Do central bankers find larger effects on output and inflation?

Effects of QE on Output. This table regresses the estimated effects of QE on output on the share of authors with central bank affiliation. In Panel A, we use the total estimated effect of the QE program studied on the level of output. Panel B uses the estimated effect on the level of output, after standardizing the QE program size to 1% of GDP. Controls include the number of authors and the logarithm of three plus the average author experience. *t*-statistics, reported in parentheses, are based on standard errors clustered at the paper level. *p*-values obtained using the wild cluster bootstrap unit of observation

Effects of QE on Inflation. This table regresses the estimated effects of QE on inflation on the share of authors with central bank affiliation. In Panel A, we use the total estimated effect of the QE program studied on the price level. Panel B uses the estimated effect on the price level, after standardizing the QE program size to 1% of GDP. Controls include the number of authors and the logarithm of three plus the average author experience. *t*-statistics, reported in parentheses, are based on standard errors clustered at the paper level. *p*-values obtained using the wild cluster bootstrap unit of observation

Main results of Fabo et al. (2021 [9])

Compared to no CB authors, studies on output with all CB authors find:

1. 0.723 ppt larger peak effect (46% of the mean effect)
2. 0.512 ppt larger cumulative effect (59% of the mean effect)

Compared to no CB authors, studies on inflation with all CB authors find:

1. 1.279 ppt larger peak effect (90% of the mean effect)
2. 1.394 ppt larger cumulative effect (157% of the mean effect)

Consistent results for standardized effects on output and inflation

Panel A:
CB Affili

Country
Controls
Observa
R²

Panel B:
CB Affili

Country
Controls
Observa
R²

The unit of

(6)

1.394

(2.04)

[0.044]

X

X

53

0.195

0.190

(2.41)

[0.007]

X

X

53

0.226

Source: Fabo et al. (2021 [9])

Are central bankers more likely to find significant effects?

Significance. This table regresses the statistical and economic significance of the estimated effects of QE on output and inflation on the share of central bank affiliated authors. In Panel A (B), the dependent variable is the reported statistical and economic significance of the effect on output (inflation). Controls include the number of authors and the logarithm of three plus the average author experience. *t*-statistics, reported in parentheses, are based on standard errors clustered at the paper level. *p*-values obtained using the wild cluster bootstrap procedure (10,000 repetitions) are reported in square brackets. The unit of observation is the paper-country.

	Statistical Significance			Economic Significance		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: Effect on Output</i>						
CB Affiliation	0.412 (2.42) [0.041]	0.388 (2.41) [0.035]	0.366 (2.20) [0.043]	0.335 (2.78) [0.019]	0.344 (2.78) [0.019]	0.399 (3.42) [0.005]
Country FE		X	X		X	X
Controls			X			X
Observations	41	41	41	66	66	66
R ²	0.233	0.280	0.298	0.139	0.145	0.250
<i>Panel B: Effect on Inflation</i>						
CB Affiliation	0.202 (1.18) [0.339]	0.202 (1.25) [0.283]	0.164 (1.11) [0.372]	0.196 (1.29) [0.222]	0.207 (1.36) [0.197]	0.248 (1.86) [0.093]
Country FE		X	X		X	X
Controls			X			X
Observations	38	38	38	60	60	60
R ²	0.044	0.118	0.208	0.041	0.043	0.137

Source: [Fabo et al. \(2021 \[9\]\)](#)

Are central bankers more likely to find significant effects?

Significance. This table regresses the statistical and economic significance of the estimated effects of QE on output and inflation on the share of central bank affiliated authors. In Panel A (B), the dependent variable is the reported statistical and economic significance of the effect on output (inflation). Controls include the number of authors and the logarithm of three plus the average author experience. *t*-statistics, reported in parentheses, are based on standard errors clustered at the paper level. *p*-values obtained using the wild cluster bootstrap procedure (10,000 repetitions) are reported in square brackets. The unit of observation is the paper-country.

	Statistical Significance			Economic Significance		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: Effect on Output</i>						
CB Affiliation	0.412 (2.42)	0.388 (2.41)	0.366 (2.20)	0.335 (2.78)	0.344 (2.78)	0.399 (3.42)

Other results of Fabo et al. (2021 [9])

- Compared to no CB authors, studies with all CB authors are 36.6 ppt more likely to find a statistically significant effect of QE on output
- Statistically insignificant differences for the effect on inflation

Country FE		X	X		X	X
Controls			X			X
Observations	38	38	38	60	60	60
R ²	0.044	0.118	0.208	0.041	0.043	0.137

Source: Fabo et al. (2021 [9])

Central bank studies:

- use more positive language in the paper's abstract
- are less likely to use conservative (95%) confidence levels
- are more likely to use DSGE models

Similar results if:

- conditioned on published papers only or use WLS with citations
- controlled for QE program studied

Opposite effects on output for Bundesbank authors

Why do central bankers find more positive effects of QE?

1. Career outcomes (tested directly)
2. Research process (tested via survey)

Are authors who find larger effects of QE more likely promoted?

Career Outcomes and Effects of QE on Output. This table regresses career outcomes on the author's estimated effects of QE on output. The dependent variable is the difference between the author's rank after her first career update following the paper's first circulation, and her rank at the time of first circulation. In Panel A, we use the total estimated effect of the QE program studied on the level of output. In Panel B, the QE program size is standardized to 1% of GDP. Controls include the number of authors, the logarithm of three plus the researcher's experience, the number of years since the author's last career update, as well as dummy variables indicating the author's rank at the time of the paper's first circulation. We restrict the sample to authors who remain affiliated with a central bank and experience at least one career update after the paper's first circulation. *t*-statistics, reported in parentheses, are based on standard errors clustered at the author level. *p*-values obtained using the wild cluster bootstrap procedure (10,000 repetitions) are reported in square brackets. The unit of observation is the author-paper-country.

	Peak Effect			Cumulative Effect		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Panel A: Total Program Effect</i>						
Effect on output	0.264 (2.32) [0.027]	0.219 (1.85) [0.037]	0.485 (2.65) [0.018]	0.204 (1.78) [0.079]	0.204 (1.25) [0.234]	0.460 (2.12) [0.019]
Country FE		X	X		X	X
Controls			X			X
Observations	34	34	31	32	32	30
R ²	0.030	0.066	0.553	0.027	0.076	0.550
<i>Panel B: Standardized Effect</i>						
Effect on output	1.407 (1.41) [0.231]	1.009 (1.15) [0.356]	2.661 (1.86) [0.082]	2.311 (2.00) [0.041]	1.838 (1.45) [0.134]	4.095 (2.15) [0.022]
Country FE		X	X		X	X
Controls			X			X
Observations	34	34	31	32	32	30
R ²	0.044	0.062	0.553	0.051	0.081	0.569

Source: [Fabo et al. \(2021 \[9\]\)](#)

Are authors who find larger effects of QE more likely promoted?

Career Outcomes and Effects of QE on Output. This table regresses career outcomes on the author's estimated effects of QE on output. The dependent variable is the difference between the author's rank after her first career update following the paper's first circulation, and her rank at the time of first circulation. In Panel A, we use the total estimated effect of the QE program studied on the level of output. In Panel B, the QE program size is standardized to 1% of GDP. Controls include the number of authors, the logarithm of three plus the researcher's experience, the number of years since the author's last career update, as well as dummy variables indicating the author's rank at the time of the paper's first circulation. We restrict the sample to authors who remain affiliated with a central bank and experience at least one career update after the paper's first circulation. *t*-statistics, reported in parentheses, are based on standard errors clustered at the author level. *p*-values obtained using the wild cluster bootstrap procedure (10,000 repetitions) are reported in square brackets. The unit of observation is the author-paper-country.

Peak Effect			Cumulative Effect		
(1)	(2)	(3)	(4)	(5)	(6)

Other key results of [Fabo et al. \(2021 \[9\]\)](#)

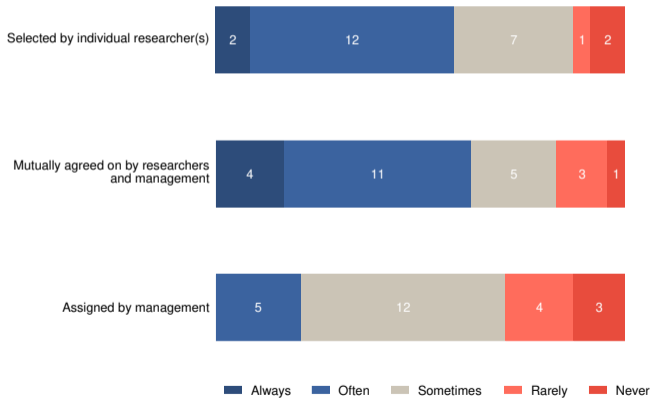
- Authors who find larger QE effects on output experience more favorable career outcomes: a one-SD increase in output effect \Rightarrow \uparrow by 0.6 ranks (scale 1-6)
- Insignificant effects for inflation

Observations	34	34	31	32	32	30
R^2	0.044	0.062	0.553	0.051	0.081	0.569

Source: [Fabo et al. \(2021 \[9\]\)](#)

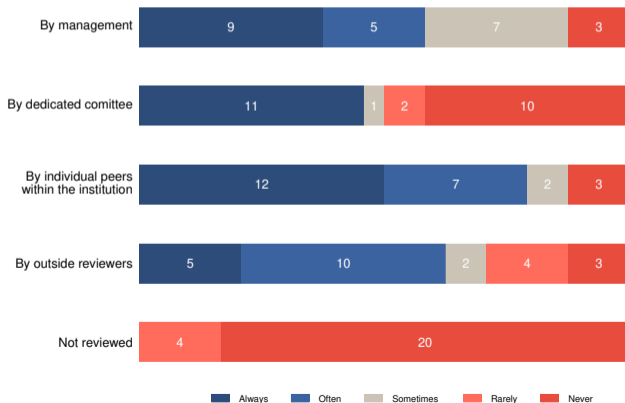
Survey question #1

1. How are research topics selected in your central bank?



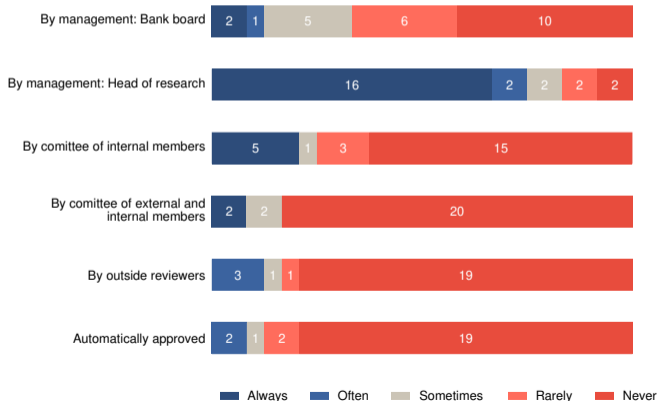
Survey question #2

2. How are draft research papers reviewed / commented on in your institution, prior to their public distribution?



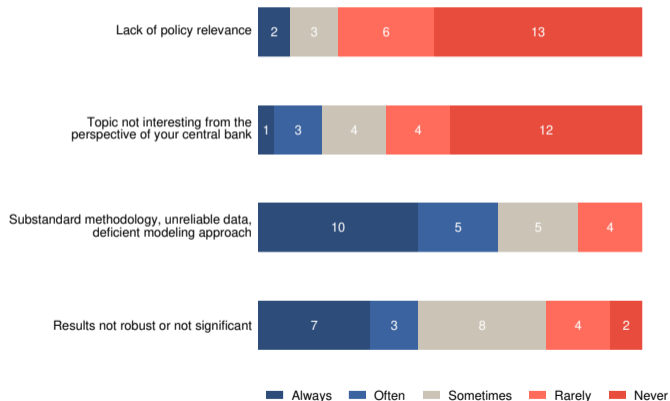
Survey question #3

3. How are your institution's draft research papers approved for public distribution?



Survey question #4

4. *What criteria can lead to papers being rejected?*



Survey question #4

4. *What criteria can lead to papers being rejected?*



Takeaways from [Fabo et al. \(2021 \[9\]\)](#)

- Central bankers are more optimistic than academics in their assessments of the effectiveness of QE
- Potential mechanism: incentives at central banks



Always Often Sometimes Rarely Never

The case for a Carbon Central Bank

Should central banks appoint themselves to take on climate policy?

To what extent does **greening monetary and financial policies** jeopardize CBI?

Green central banks raise issues:

- Democratic mandate (implicit/explicit)
- Allocation of responsibility
- Multiplicity of missions
- Instrument efficiency
- **External pressures**

Is a Carbon Central Bank desirable?

Countries have solved inflation problem by creating independent central banks with a clear mission

Carbon pricing is a necessary policy ([Blanchard, Gollier and Tirole 2023 \[7\]](#))

But time inconsistency problem (as with central banking)

Is the establishment of a Carbon Central Bank (via international treaty) an institutional solution? If so, is its building politically feasible?



Conclusion

Summary

Mission-oriented agencies are narrow in scope but highly effective

Independent central banks are a case in point: they have proved more effective at taming inflation and regulating banks than politically controlled predecessors

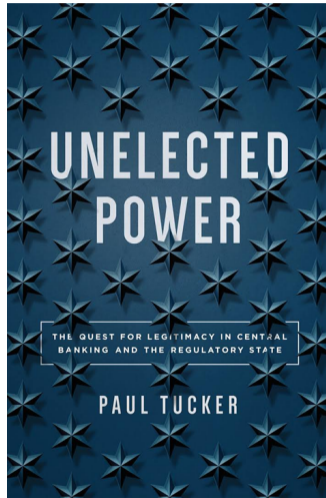
De jure independence alone is insufficient to prevent capture: **de facto power matters**

Political interference may arise through:

- governor appointments
- governor's backgrounds (e.g. private sector experience)
- external pressures (e.g. private meetings with the President)
- internal pressures (e.g. management involvement in research production)

A **Carbon Central Bank** may be desirable, but it remains vulnerable to political capture

A must read



Source: [Tucker \(2019 \[23\]\)](#)

Thank You

thomaslambert.org

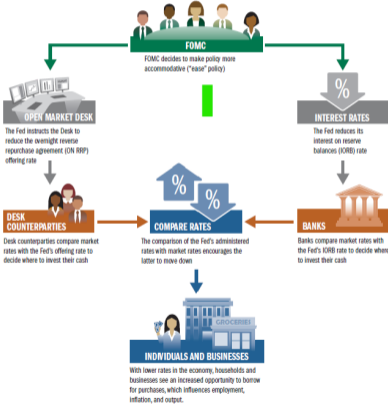
poleconfin.org

Appendix

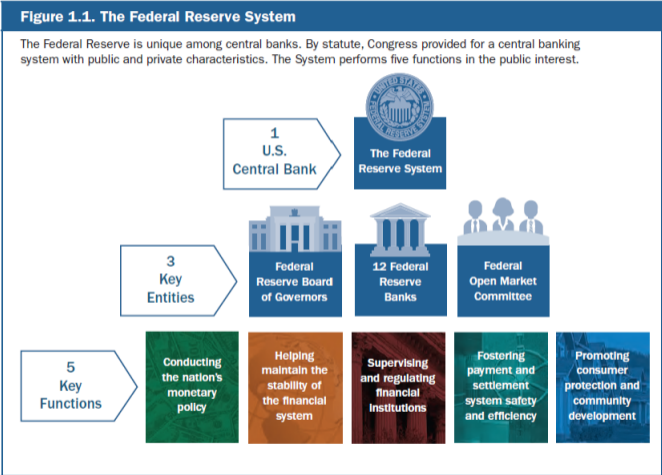
Open market operations

Figure 3.3. How the Federal Reserve implements monetary policy

When the Federal Open Market Committee (FOMC) sets monetary policy that, for example, requires lowering the policy interest rate, the Federal Reserve also lowers its administered interest rates. Fed counterparties then make investment decisions by comparing the Fed's administered rates and market interest rates. This comparison causes market rates to decline, which increases borrowing opportunities for households and businesses. These actions allow the FOMC to make progress toward its dual mandate of maximum employment and price stability.



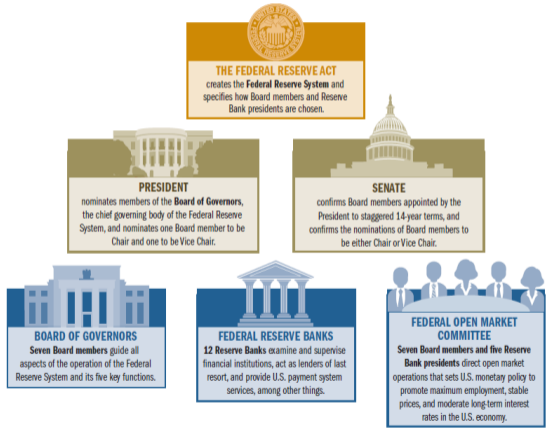
The Federal Reserve System



The Federal Reserve

Figure 2.1. How the Federal Reserve operates within the U.S. government framework

A statutory framework established by Congress guides the operation of the Federal Reserve System.



Institutional characteristics of de jure CBI indices

Criteria	GMT	CWN	ROM
Governor and Central Bank Board			
Who appoints the governor	*	*	*
Term of office of governor	*	*	*
Reappointment option for governor			*
Dismissal of governor		*	*
Governor allowed to hold another office in government		*	*
Qualification requirements for governor			*
Who appoints the board members	*		*
Term of office of board members	*		*
Reappointment option for board members			*
Dismissal of board members			*
Board Members allowed to hold another office in government			*
Qualification requirements for board members			*
Staggering term of office for board members			*
Government representatives in the board	*		*
Monetary Policy and Conflicts Resolution			
Who formulates monetary policy	*	*	*
Central bank responsible to fix key policy rates	*		*
Banking sector supervision	*		*
Central bank role in government's budget and/or debt	*		*
Final authority in monetary policy	*	*	*
Objectives			
Central bank's statutory goals	*	*	*

Institutional characteristics of de jure CBI indices (cont'd)

Criteria	GMT	CWN	ROM
Lending to the Government			
Direct credit: not automatic	*	*	*
Direct credit: market of lending		*	*
Who decides financing conditions to government		*	*
Beneficiaries of central bank lending		*	*
Direct credit: type of limit	*	*	*
Direct credit: maturity of loans	*	*	*
Direct credit: interest rates	*	*	*
Prohibition from buying government securities in primary market	*	*	*
Financial Independence			
Payment of the initial capital of the central bank			*
Authorized capital of the central bank			*
Central bank financial autonomy			*
Arrangements for automatic recapitalization			*
Transfers of money from the treasury			*
Central bank approves its annual budget			*
Central bank adopt its annual balance sheet			*
Auditing agency			*
Allocation of the net profits			*
Allocation of profits to the general reserve fund			*
Partial payments of dividends before the end of the fiscal year			*
Unrealized profits included in the calculation of distributable profits			*
Central Bank Reporting and Accountability			
Central bank reporting			*
Central bank financial statements			*

Alan Blinder about the Fed's future independence

"I certainly believe that Trump will try to undermine Fed independence. Whether he'll succeed is another question. One thing we know he can do, because it's perfectly legal, is replace Jay Powell. He will. End of sentence. What is worrisome to me is who he will replace him with. You may remember Arthur Burns, who was the Fed chair during the Nixon administration. Burns led the Fed to do Richard Nixon's bidding to a considerable degree, helping him get re-elected in 1972. We paid the inflationary piper after that election, and after the price controls came off. Burns, at least, was a smart and experienced economist, who was just much too political. Trump could easily put in somebody who basically knows nothing about the job and could take orders from the White House." — Alan S. Blinder, "The stars look like they're aligning for a soft landing", *The Financial Times* (September 13, 2024)

	N	Mean	S.D.
Employment tie	298	0.268	0.444
Ideological tie	295	0.447	0.498
Family tie	300	0.030	0.171

* They also collect information on succession, education, and experience used as controls.

Press coverage

Factiva search:

- All major English-speaking newspapers
- 3 months around appointment
- Article must contain terms pertaining to appointment

Human reading:

- Check if article about appointment
- Identification of passages suggesting political interference during appointment

Human judgement:

- Overall tone of the press
- Score (Yes/No)

Expert opinions: survey

Expertise and relative objectivity:

- Specialization in Macro and Finance
- Affiliation to university, national research, or policy institutions (not a central bank)
- >2 decades of experience
- With or without Anglo-Saxon training
- RePEc database and lists of NBER and CEPR affiliates

Survey:

- Sent to 587 academics (on average 10 per country)
- Via email on February 7, 2020 (3 reminders)
- Confidential agreement
- 289 responses received (b/w 3 and 8 per country)

Expert opinions: questionnaire

Academics receive a survey specific for their country of origin

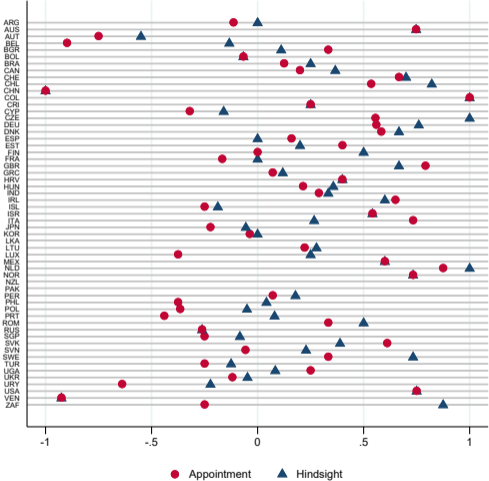
Same 2 questions for each governor:




- *In your opinion, **at the time of the appointment**, was [...] a politically independent central bank governor?*
- *In your opinion, **with the benefit of hindsight**, was [...] a politically independent central bank governor?*




Answers: “Yes”, “No”, or “I do not know” (+ comment)




Construction of balance statistic $[-1,1]$ to determine political interference
pesaran2006survey




Expert opinions: output









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