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Central Bank's Legitimacy

presented by

Josep Ferret Mas

**Pompeu Fabra University, Barcelona
Visiting Lecturer at CEU**

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ABSTRACT / Until recently, political philosophers had not discussed in depth the philosophical problems arising from independent central banks. However, interest amongst political philosophers in the independence of central banks has increased significantly since the beginning of the 2007-8 financial crisis. The crisis exacerbated two distinct concerns about the independence of central banks. The concern with legitimacy asks whether it is legitimate for democratic governments to delegate very important decisions to an independent body that is not subject to re-election, and not easily removed by the legislature. The concern with economic justice asks whether the policies of independent central banks, which have a deep distributional impact on citizens, are in line with economic justice. This paper explores the legitimacy of independent central banks from the perspective of these two concerns. I argue primarily that we should avoid construing central bank independence in binary terms, so that central banks either are, or are not, independent. This way of construing the possibilities confronts us with a dilemma. Either we must endorse the orthodox economic case (OEC) for central bank independence – namely, that it is necessary for economic efficiency – or we must reject that case for the sake of democratic legitimacy and economic justice (I assume economic justice to be different from economic efficiency). We should instead construe central bank independence in scalar terms – so that independence admits degrees. This helps us to avoid the dilemma by allowing us to develop an account of independence in which central banks can retain independence to the extent necessary for economic efficiency, while meeting reasonable concerns regarding legitimacy and economic justice.

BIO / **Josep Ferret Mas** is a Ph.D. in Law and Junior Lecturer at Pompeu Fabra University (UPF). As undergraduate he secured the BA of Philosophy and the BA of Law at the University of Barcelona. He also gained a MA in Corporate Finance and Law (ESADE Business School) and a MA in Political Philosophy (UPF). During his Ph.D. he has visited the University of California Los Angeles (2012), and the Hoover Chair on Economic and Social Ethics, the University of Louvain (2014), and he also did two short postdocs at the same Hoover Chair and the Centre de Recherche en Éthique, Montréal. His interests lie in moral and political philosophy and his research work examines several normative questions regarding independent central banks and monetary unions, political legitimacy and distributive justice.