

# (In)dependent Central Banks\*

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## Abstract

Since the 1980s, many countries have reformed their central banks to enhance operational independence. Using biographical data, press coverage, and expert opinions, we find that during this period, appointments of central bank governors became increasingly politically motivated, particularly following legislative reforms intended to insulate central banks and their governors from political interference. Furthermore, we show that politically motivated appointments are associated with lower *de facto* independence and worse economic and financial outcomes. As central banks worldwide have gained greater power, our findings contribute to the debate on their democratic accountability and credibility.

**JEL classification:** E58, G00, P16

**Keywords:** central banking, central bank independence, governor appointment, legislative reforms, political connections, inflation, financial stability, financial markets

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# 1 Introduction

In the late 1980s, central bank independence (CBI) emerged as an institutional solution to the time inconsistency problem (Kydlund and Prescott, 1977; Calvo, 1978).<sup>1</sup> The core idea was to transfer control of monetary policy away from elected politicians, whose reelection concerns could lead to inflation bias or political cycles (Barro and Gordon, 1983; Alesina and Roubini, 1992). Delegating monetary policy to unelected technocrats—or, more dramatically, to a conservative central banker (Rogoff, 1985)—is seen as essential to maintain stable inflation and financial stability.<sup>2</sup> Moreover, a large literature has stressed the quantitatively important impact of monetary policy on equity risk premia (Bernanke and Kuttner, 2005; Lucca and Moench, 2015), variance risk premia (Bekaert, Hoerova, and Duca, 2013), and credit spreads (Gertler and Karadi, 2015).

To safeguard price and financial stability, many countries reformed their central bank frameworks to insulate monetary policy from political interference. This led to a documented rise in legal or *de jure* CBI worldwide (Grilli, Masciandaro, and Tabellini, 1991; Cukierman, Web, and Neyapti, 1992; Romelli, 2022). However, *de jure* CBI does not necessarily translate into actual or *de facto* CBI (Cukierman et al., 1992). Laws are incomplete and, even when explicit, actual practice can deviate, particularly when politicians’ preferences differ from the central bank mandate (Ehrmann and Fratzscher, 2011). As laws are difficult to reverse and political processes exhibit a “status quo bias” (Fernandez and Rodrik, 1991), politicians might seek alternative avenues to bypass the enacted reforms. This can give rise to a “seesaw effect”: when a policy reform takes place in one dimension, but the broader political equilibrium remains largely unchanged, politicians may use a different instrument to achieve the objective previously achieved with the reformed instrument (Acemoglu, Johnson, Querubin, and Robinson, 2008).

One way politicians may seek to retain control over the central bank, which we bring to the data, is by getting “their own people” in the top job. Anecdotal evidence for such behavior is plentiful.<sup>3</sup> In this paper, we collect systematic biographical information, international press cov-

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<sup>1</sup>For an excellent overview of this literature, see Alesina and Stella (2010).

<sup>2</sup>Historical episodes, such as the U.S. experience of high inflation during the 1970s, underscore the risks of political interference in monetary policy, as documented in Nixon-era records (Abrams, 2006; Ferrell, 2010). After the global financial crisis, Bernanke (2010) and Fischer (2015) emphasize the importance of central bank independence for financial stability.

<sup>3</sup>For example, *The Economist* (April 13, 2019) notes that “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

erage, and independent expert opinions to examine whether central bank governor appointments become more or less political, following significant reforms aimed at insulating the central bank and its governor from political interference. This inquiry is especially important and timely amid the global increase in populism and continued expansion of central bank powers worldwide.<sup>4</sup>

If the original goal of improving de jure CBI is to reduce political interference, it is natural to expect that as de jure CBI increases, politically-motivated central bank governor appointments become less frequent. After all, such reforms include, among others, provisions intended precisely to insulate the appointment process from political interference. A politically-motivated governor appointment is defined as one where the appointment is skewed towards candidates who can be classified, through various metrics, as being more loyal to the executive making the appointment rather than the central bank mandate. If the intended goal is to make the central bank more politically independent, then we should expect fewer politically-motivated governor appointments, so that de jure CBI more convincingly becomes de facto CBI. This intuition suggests that the correlation between de jure CBI metrics and independent governor appointments should be positive. However, this correlation may disappear or even become negative if politicians actively try to “undo” institutional reforms by appointing governors with close ties to the government.

The goal of this paper is to examine which of these two narratives better describes the data and examine whether political appointees are associated with worse economic and financial outcomes. We should clarify that our paper does not inform the debate concerning the appropriate, or even optimal, level of central bank independence. We take a certain level of existing de jure CBI as given and ask whether the central bank governor appointments are consistent with the initial motivation of enhancing central bank independence. We also take as given the need for a well-functioning central bank as a key institution in the “pillars of prosperity” (Besley, Persson, and Dann, 2021) and ask whether politicians try to “reverse” de jure CBI with political appointees.

We focus on central bank governors because of their disproportionate importance in running the central bank. However, an argument might still be made that central banks are run by boards of directors and/or monetary policy committees, and therefore focusing on one particular

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than win by force of argument, they are seeking an edge by getting their own people into the top jobs”.

<sup>4</sup>Since the global financial crisis, central bank powers have expanded considerably, especially in the area of financial stability. Their balance sheets have grown exponentially from about 20% national GDP to more than 70%, on average (e.g., Ferguson, Martin, Paul, and Moritz, 2023). Central bank powers are only expected to expand as they are developing policies towards climate finance and digital currencies (Skinner, 2021).

person on the board might be missing important elements of central bank independence. For example, Riboni and Ruge-Murcia (2010) argue that for five major central banks a model closer to a “consensus model, where a super majority is required for a policy change”, captures the decisions of those central banks better. There are, however, a number of arguments that make us confident that focusing on the governor appointment is nevertheless a useful first step.

First, in many countries there is a disproportionate amount of attention on the political decision to appoint (or re-appoint) a governor, and this attention is much more prevalent than when appointing other members of the board.<sup>5</sup> Second, political pressures on central banks often concentrate on the governor. When pressures escalate and dismissals occur, they typically concern the governor rather than other members of the board.<sup>6</sup> For example, Drechsel (2024) shows that 92% of the meetings of U.S. Presidents with Federal Reserve officials were with the Fed chairman, indicating that efforts to exert influence through personal interactions were primarily directed at the Chairman rather than other FOMC members. Third, a key reason to focus on governors is the significantly important literature that leaders matter (e.g., Jones and Olken, 2005; Besley, Montalvo, and Reynal-Querol, 2011; Funke, Schularick, and Trebesch, 2023; Brown, 2022). In corporate finance, Bertrand and Schoar (2003) show that managers matter and these empirical observations should also hold for central bank governors.

Even though the evidence on leadership may be more sparse for central banking, the idea is also supported by the narrative of the Great Depression in Friedman and Schwartz (1963): “[I]f Benjamin Strong could have had twelve months more of vigorous health, we might have ended the depression in 1930, and with this the long drawn out world crisis that so profoundly affected the ensuing political developments” (p. 692). Benjamin Strong was the chairman of the New

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<sup>5</sup>For example, an article by the editorial board of the *Financial Times* on the re-appointment of Federal Reserve Chairman Jerome Powell supports this argument (“Jay Powell should get a second term at the Fed”, November 9, 2021).

<sup>6</sup>President Trump’s pressure on the Federal Reserve to keep interest rates low concentrated on Governors Yellen and Powell. In 2017, “[Trump] left open the possibility of renominating Federal Reserve Chairwoman Janet Yellen once her tenure is up next year, a shift from his position during the campaign that he would ‘most likely’ not appoint her to another term. ‘I do like a low-interest rate policy, I must be honest with you,’ Mr. Trump said at the White House, when asked about Ms. Yellen” (*The Wall Street Journal*, April 12 2017; *Reuters*, April 12 2017). Later in 2018, when the Federal Reserve raised interest rates, Trump repeatedly threatened to fire Powell, his own appointee, even if his legal authority to do so is not clear. In Turkey, President Erdogan’s feud with the central bank about interest rate levels resulted in high central bank governor turnover; Murat Uysal’s tenure lasted between July 6, 2019 and November 7, 2020 and Naci Agbal’s between November 8, 2020 and March 20, 2021. Political pressure on central bank governors may also manifest itself in more indirect ways. In Greece, for example, the governor’s wife was prosecuted (and found not guilty after many years), a move widely interpreted as a way to pressure Governor Stournaras to resign. It should be noted that these are all examples from countries with de jure independent central banks.

York Bank, the equivalent of the New York Federal Reserve Bank at the time. Given that this was the first major crisis that the recently established (1914) Federal Reserve was involved in, the importance of having someone with deep knowledge of the potential problems and solutions was paramount. Friedman and Schwartz essentially emphasize the importance of having the right person in charge at the right time, while Monnet and Puy (2020) show that the identity and age of the governors matter in the persistence of gold standard monetary practices under Bretton Woods. Mishra and Reshef (2019) also document the importance of central bank governors' career background in shaping financial policies.<sup>7</sup>

These observations reinforce the idea that the choice of a central bank governor is materially important. To study this systematically, we hand-collect data on 317 governor appointments across 57 countries from 1985 to 2020. To assess whether an appointment was politically motivated, we draw on three complementary sources. First, we examine biographical information at the time of appointment, focusing on ties to the executive—such as prior government employment, ideological alignment with the ruling party, or personal connections (e.g., friendships or family links). Second, we track how the international press characterized the appointment, particularly regarding the governor's perceived independence. Third, we conduct a large-scale survey of independent academic experts in each country, asking them to evaluate the political independence of the appointee at the time of their appointment. We contacted 587 economists with expertise in macroeconomics or finance and received 262 responses (a 44.6% response rate).

We combine these three sources into an index of perceived political independence from the executive and elected politicians at the time of appointment. To ensure robustness, we construct multiple versions of the index using alternative aggregation methods. We validate all versions of the index by showing that they all correlate positively with ex post measures of de facto CBI from the existing literature (Cukierman et al., 1992). Since each criterion captures a distinct dimension of perceived independence, we also analyze them separately in our empirical work.

Our main findings are as follows. First, we find no evidence supporting the hypothesis that central bank governor appointments have become more independent over time, despite significant improvements in de jure CBI. There is no discernible relationship between the governor

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<sup>7</sup>On the link between governors' background characteristics and their policy-making, see also Chappell Jr, Havrilesky, and McGregor (1995), Göhlmann and Vaubel (2007), Malmendier, Nagel, and Yan (2021), as well as Romer and Romer (2004) for a classic contribution using narrative approaches.

independence index (or any of its components) and measures of de jure CBI, including specific reforms targeting the appointment, term of office, and dismissal of central bank governors. This result holds for both developed and developing countries and remains consistent even when we exclude EU countries after they joined the Eurozone. Although the selection of criteria or the aggregation method could potentially affect our findings, we find that they do not: the results hold for each individual criterion and are robust across alternative versions of the index.

To address endogeneity concerns, we also implement an instrumental variable (IV) strategy using regional diffusion of reforms as an instrument for de jure CBI, following Acemoglu, Naidu, Restrepo, and Robinson (2019). While this approach has its own limitations, the IV estimates are consistent with our baseline results, reinforcing the conclusion that legal reforms in central bank laws do not predict more independent governor appointments.

Second, not only have central bank governor appointments not become more independent on average, but our results suggest that these appointments may have become increasingly politicized as central banks gained greater operational autonomy. Specifically, we find that the relationship between the governor independence index and reforms intended to insulate governors from political interference turns strongly negative when central banks are granted independence in setting monetary policy. These results indicate that governments may be actively seeking to “undo” institutional reforms and undermine de facto CBI by strategically appointing their own people to the top job. Notably, this tendency appears to be mitigated in the presence of external constraints, such as the European Union accession process or an IMF support program. Additionally, we find that populist governments are more likely to appoint politically connected central bank governors, an effect that holds even after controlling for country fixed effects.

Third, we find that governors perceived as more independent at the time of their appointment are also viewed as behaving more independently in office, according to expert surveys. This supports the idea that political appointments offer meaningful insights into the de facto independence of central bank governors. Consistent with this interpretation, we find that more independent governors are associated with systematically better inflation and financial crises outcomes while in office. We find that a one standard deviation increase in governor independence is associated with a 0.46 percentage point drop in inflation and a 4.1 percentage point reduction in the likelihood of a sovereign debt crisis during their tenure. These results hold even after

controlling for de jure CBI, the economic and political context at the time of appointment, and other governor characteristics, explored in the literature (Mishra and Reshef, 2019).

It is important to explicitly emphasize that our findings do not necessarily mean that political appointees cause higher inflation rates or sovereign debt crises. A plausible alternative interpretation is that political appointments are more common during periods of high inflation and fiscal pressure. Crucially, both interpretations indicate that political interference in central banks is intertwined with their core mandates and the fiscal position of the government—a relationship we believe is nevertheless important to document at time when central banks’ powers are expanding and fiscal pressures and populist politics are gaining ground globally.

That said, in our final set of tests, we examine financial market reactions to central bank governor appointments by analyzing sovereign bond and exchange rate returns around the announcement date. These tests provide for tighter identification. By focusing on narrow event windows around the announcement of an appointment, we can isolate changes in investor expectations regarding how the appointee might influence future policy and macroeconomic outcomes.<sup>8</sup> We find that announcements of more independent appointees are associated with higher bond returns and a modest currency appreciation, consistent with improved investor confidence and perceived policy credibility. In terms of magnitude, a one standard deviation increase in appointment independence raises bond returns by 0.12% over the 11-day window (about 2.7% annualized) and leads to a 0.02% exchange rate appreciation (roughly 0.46% annualized).

We find that these effects are more pronounced in settings without institutional constraints—such as explicit inflation targets or euro area membership—suggesting that markets respond more strongly when individual discretion matters most. These results not only reinforce our earlier findings with stronger identification, but also underscore investor concerns about the potential economic risks of politicized appointments. Changes in investor expectations represent a key channel through which monetary policy affects asset prices and the broader economy.

Our findings show that de jure CBI is not sufficient to ensure that the central bank is not captured by political interests. In fact, recent cross-country evidence shows that central bankers

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<sup>8</sup>This event-study approach is widely used to study, among others, the impact of unexpected changes in monetary policy on stock prices (e.g., Bernanke and Kuttner, 2005), market reactions to policy appointments (e.g., Acemoglu, Johnson, Kermani, Kwak, and Mitton, 2016), and the impact of public statements of political figures on investors’ expectations about future policies (e.g., Bianchi, Gómez-Cram, Kind, and Kung, 2023).

aspire to further office (Adolph, 2013), care actively about justifying their policies (Fabo, Jančokova, Kempf, and Pástor, 2021), avoid reporting losses (Goncharov, Ioannidou, and Schmalz, 2023), and are receptive to political pressures (Binder, 2021).<sup>9</sup> Furthermore, public support for CBI may have diminished in light of the rise of populism, allowing politicians to exert pressure on central banks more overtly without fearing public backlash (Agur, 2018; Goodhart and Lastra, 2018; Dall’Orto Mas, Vonessen, Fehlker, and Arnold, 2020). The results of this paper illustrate one channel through which external pressure or interference may occur: appointments.<sup>10</sup> Even with a narrow mandate, their control over interest rates directly impacts inflation, financial markets, and economic activity, creating strong incentives for political interference. Expanding responsibilities—such as financial regulation, supervision, and crisis management—further heighten these pressures, attracting lobbying from powerful financial sector interest groups. Our results suggest that as central banks’ powers continue to grow, the incentives to appoint political allies, with the explicit or implicit aim to affect central bank policies, will likely increase.

Our results have important policy implications. First, political influence on central bank appointments undermines a central bank’s credibility, potentially allowing for the time-inconsistency problem to resurface. As our results show, *de jure* CBI does not guarantee *de facto* independence. Second, the design of the central bank’s institutional architecture, decision-making processes, and governor selection mechanisms must be subjected to further scrutiny and accountability to ensure that central banks are best equipped to fulfill their democratic mandate. The 2023 Review of the Reserve Bank of Australia provides recommendations to best safeguard operational central bank independence.<sup>11</sup> The ultimate objective should be to avoid situations where, as Tucker (2018) describes, the principal (politician) making the agent (governor) appointment has strong incentives to appoint someone more loyal to the principal than to the central bank mandate.

The rest of the paper is organized as follows. Section 2 describes our data and their sources, including the information we collect on central bank governor appointments. Section 3 discusses how governor appointments relate to *de jure* CBI. Section 3 also explores whether governor

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<sup>9</sup>Witheridge (2023) and Çakmakli, Demiralp, and Güneş (2024) also examine episodes of political pressure on central banks in emerging markets. In the US case, Bianchi et al. (2023) and Drechsel (2024) identify political pressure exerted on the Federal Reserve over time.

<sup>10</sup>In an important contribution, Adolph (2013) focuses on partisan appointments in 20 democracies and finds evidence suggesting that left- and right-wing governments tend to appoint central bankers with different monetary preferences, noticeably altering the course of inflation.

<sup>11</sup>See: [www.rba.gov.au/about-rba/review-of-the-rba/index.html](http://www.rba.gov.au/about-rba/review-of-the-rba/index.html) (last accessed: November 15, 2023).

appointments relate to de facto CBI, whether de facto CBI changes after policy independence, and whether political appointees are less independent while in office. Finally, Section 3 studies the relation between de jure or de facto CBI and inflation and financial stability outcomes. Section 4 summarizes our findings and discusses their implications.

## 2 Data Description

### 2.1 Governor appointments

We aim to assess whether a governor’s appointment is (or is perceived to be) politically motivated, that is, biased toward a candidate more likely to be loyal to the executive making the appointment than committed to the central bank’s mandate. Given the inherently subjective nature of this exercise, we employ a multifaceted approach combining information from three broad sources: biographical details, press coverage, and expert assessments for each governor’s appointment.

This approach reduces the reliance on any single criterion or source of information. That said, reasonable arguments can be made for or against the inclusion of any criterion, and measurement error is unavoidable. Hence, we use a composite index (constructed in multiple ways) but also examine each criterion individually, which allows readers who may question the relevance or accuracy of certain criterion to focus on those they find more credible. To ensure that the index has an informational value, we perform validation tests to demonstrate its relevance.

Our initial set of countries was taken from Dreher, Sturm, and De Haan (2008, 2010). Our sample consists of 317 governor appointments in 57 countries between January 1985 and January 2020.<sup>12</sup> In what follows, we provide a description of each criterion and how we combine them into an index characterizing each central bank governor appointment. Table 1 summarizes the various criteria, including the information collected and the coding rules used to construct our index, and provides descriptive statistics. The table also presents information on the alternative coding rules that we consider to examine the robustness of our findings.

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<sup>12</sup>By starting our sample in the mid-1980s, we ensure at least a decade of data on appointments before CBI reforms gained widespread popularity. This approach aims to strike a balance between capturing the earlier period and the practical challenges of going further back, where data availability, expert recall, and press coverage, particularly in developing countries, become less reliable. Table OA1 in the Online Appendix reports the sample countries, governor names, and appointment dates.

**Biographical information** We hand-collect biographical information for each appointee to assess their potential ties to the executive branch of the government. Specifically, we focus on three key types of ties: (1) previous employment in the executive, (2) ideological alignment with the ruling party or coalition, and (3) family links to government officials. These dimensions are motivated by the political economy literature, which highlights how such ties can serve as channels for political influence and capture (e.g., McCarty, Poole, and Rosenthal, 2016; Rijkers, Freund, and Nucifora, 2017; Autor, Dorn, Hanson, and Majlesi, 2020; Emery and Faccio, 2025).<sup>13</sup>

First, to capture *employment* ties, we compile information on whether the appointee’s most recent position was in the executive branch of the government. A typical example is a senior minister in office moving directly to the central bank governor role. For instance, in Poland, Leszek Balcerowicz was appointed chairman of the central bank in 2001 while serving as deputy prime minister and minister of finance. Similarly, in Greece, Yannis Stournaras transitioned in 2014 from finance minister to central bank governor, shortly after a cabinet reshuffle.

Second, we consider *ideological* ties. While shared ideology does not necessarily imply loyalty or dependence, the literature suggests that ideological alignment can act as a proxy for political influence, particularly in the context of increasing polarization (Autor et al., 2020). Donors and elites with strong ideological commitments often influence appointments and policy agendas (McCarty et al., 2016). We therefore collect information on the appointee’s political affiliations, known partisan relationships, or public statements, and assess whether these align with the ideology of the ruling party or coalition. For example, in France, Francois Villeroy de Galhau was nominated governor of the Banque de France in 2015 by President Francois Hollande (Socialist Party) and had previously served in advisory roles under socialist ministers.<sup>14</sup>

Third, we examine *family* ties, identifying any kinship connections between the appointee and members of the ruling party or coalition. For example, in Spain, Miguel Angel Fernandez Ordonez was appointed governor of the Bank of Spain in 2006 while his wife, Ines Alberdi, was

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<sup>13</sup>Emery and Faccio (2025) develop an extensive mapping of the revolving door between government and the private sector. McCarty et al. (2016) highlight how ideological alignment among “elites” shape policy agendas and appointments. Autor et al. (2020) document how adverse economic shocks can drive ideological polarization, affecting political appointments and policy choices. Rijkers et al. (2017) show how entry regulation was shaped by the business interests of the president’s family in Tunisia.

<sup>14</sup>In Belgium, central bank governors’ political leanings are typically public knowledge, often reflecting partisan affiliations (e.g., Alfons Verplaetse, Christian Democrat; Guy Quaden, Socialist; Luc Coene, Conservative Liberal; Jan Smets, Christian Democrat; Pierre Wunsch, Liberal).

a deputy in the Madrid Assembly for the Spanish Socialist Workers' Party.

We compile and cross-check these data using central bank reports, government websites, and press sources. As shown in Table 1, ideological ties are the most common (44.7% of appointments), followed by employment (26.8%) and family (3%) ties. About 44% of appointees have no identifiable ties to the executive along any of these dimensions. We classify appointments without such ties as independent for the purposes of our governor independence index.

**Press coverage** We also use press reports to assess the political motivations behind governor appointments. Specifically, we record whether the international press characterizes an appointment as politically driven in an attempt to undermine the independence of the central bank.

Using Factiva, we search the digital archives of major English-speaking newspapers for articles published within three months of each appointment. Our search includes the governor's last name and keywords related to appointments and central banking (e.g., "appointment," "appointed," "central banker," "central bank," "nomination," "chairman," "governor"). Articles must explicitly refer to both the appointment and the role of central bank governor.<sup>15</sup>

After retrieving all potentially relevant articles, we reviewed them to refine the selection by excluding any articles that were not related to the appointment. The remaining articles were carefully examined to identify any references suggesting political motivations behind the appointment, aimed at undermining the central bank's independence or influence its policies. Common indicators include explicit mentions of the appointee's close ties to the executive or ruling party, or a direct transition from a political role, such as finance minister, to central bank governor. In more nuanced cases, the press highlights political influence when appointees previously held politically affiliated positions within the central bank. Appointments of long-serving deputy governors are often portrayed as technocratic, part of a "natural succession". A list of examples that illustrate the range of cases is provided in the Online Appendix B.

One potential concern is that press coverage and views may be biased in different ways. For example, English-speaking newspapers may disproportionately focus on larger Western economies, coverage may be better in more recent years, and different press outlets may harbor their own

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<sup>15</sup>To ensure the quality of the Factiva search, two independent reviewers collected and validated the articles related to each governor appointment. A third reviewer compared the results of both searches and resolved any discrepancies.

biased or partisan views. In this regard, it is important to note that although a “non-political” appointment in a small economy may be less likely to receive coverage by the international press, the reverse is probably not true when salient political motivations underlie an appointment. In other words, even in small countries, the press is often more likely to cover a politically-motivated appointment rather than non-controversial ones.<sup>16</sup> To mitigate coverage concerns, we do not impose a minimum article count-threshold in order to flag an appointment as politically motivated based on the press. The number of articles can vary from just a handful to dozens or even hundreds. We evaluate the content of the articles to identify explicit or implicit references to political motivations aiming to undermine central bank independence. We find that 62.5% of appointments are not politically-motivated based on the “Press” criterion (Table 1).

**Independent experts** Academics can also be a valuable source of information. Using a survey, we collect information on the perceptions of independent academic experts about the appointment and the tenure of each governor in their respective countries of origin. This approach was first used by Blinder (2000) to measure central bank credibility. However, we deviate by not including economists working at or affiliated with these central banks.

We focus on academics who specialize in macroeconomics or finance. For both fields, we identify as much as possible academics with expertise in central banking and monetary economics. Our list of experts is primarily drawn from the RePEc database, complemented by lists of NBER and CEPR affiliates, as well as affiliates from national research and policy institutions. These experts represent a diverse range of views and training backgrounds and exclude academics and researchers with central bank employment contracts (Fabo et al., 2021).

In total, we contacted 587 academics (on average 10 per country) and assured all participants that responses would only be used for aggregate analysis while maintaining individual confidentiality. The survey was sent by email on 7 February 2020, followed by three reminders every two weeks. We received a total of 262 responses (3 to 8 per country) covering 294 governors, resulting

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<sup>16</sup>To give an example, the Czech Republic typically does not receive much international coverage when a governor is appointed (only a handful of articles). However, the appointment of Zdenek Tuma in December 2000 generated a large number of articles (we identified more than 160 press articles and releases) because of political disputes surrounding the nomination. For instance, the *The Financial Times* (December 1, 2000) reported: “The government is fuming that the president [Mr Havel] ignored its recommendations [...]. Instead Mr Havel took advantage of the resignation of Josef Tosovsky, governor since 1990, to install his own candidate.” The article goes on to emphasize: “Mr Tuma, 40, [...] is identified with the president’s allies in the Four Party Coalition in parliament and the Lipa business lobby.”

in a response rate of 44.6%. The 262 responses include 22 partial responses. Our response rate is comparable to that of Blinder, Ehrmann, De Haan, and Jansen (2017), who surveyed academics about monetary policy practices in several countries.

The survey comprises two questions related to each governor’s appointment and tenure. The first question (“*In your opinion, at the time of the appointment, was [Governor’s name] a politically independent central bank governor?*”) aims to assess whether at the time of appointment the expert perceived the appointment as politically-motivated. The second question (“*In your opinion, with the benefit of hindsight, was [Governor’s name] a politically independent central bank governor?*”) aims to capture whether the expert perceived the governor as independent based on their tenure. We use this second question to examine whether governors who were perceived as less independent at the time of their appointment (by the experts or based on any of our other criteria) were also thought to have behaved less independently while in office.

For both questions, experts must answer either “yes”, “no”, or “I do not know”, and were also given the option to comment on each appointment. To quantify the results of the survey, accounting for divergence of opinions and different numbers of responses, we use the standard balance statistic (Pesaran and Weale, 2006).<sup>17</sup> We require a minimum of three responses for each appointment. For each governor, we calculate the balance statistic as the share of the number of “yes” minus the number of “no” divided by the total responses. This yields a measure for every governor that varies between -1 and 1 (by construction), representing the opinion of the majority of respondents. “I do not know” answers are not treated as missing values but take the (neutral) value of 0 and are counted as part of the total number of responses per governor. Hence, the higher the number of “I do not know” per governor, the closer the value to zero. If the balance statistic has a value greater than 0, we classify that appointment as politically independent according to the opinions of the experts. The “Experts” criterion in the construction of our index is based on the first question. As can be observed in Table 1, experts perceived 61.2% of the governors as independent at the time of appointment (first question). In contrast, 58% are believed to have behaved independently during their tenure (second question).<sup>18</sup>

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<sup>17</sup>Nardo (2003), Pesaran and Weale (2006), and Greenwood and Shleifer (2014), among others, favor the “balance statistic” approach to generate quantitative measures from categorical survey data.

<sup>18</sup>Figure OA1 in the Online Appendix shows, for each country, the differences in the experts’ perceptions of governor independence at the time of appointment and at the end of their tenure.

**Governor independence index** To characterize each appointment, we combine three criteria—“Executive ties,” “Press,” and “Experts”—into an overall index, which we refer to as the governor independence (GI) index, as follows:

$$\text{GI}_{i,t} = \frac{1}{n} \sum_{j=1}^n C_{i,t}^j, \quad (1)$$

where  $C_{i,t}^j$  equals 1 if the appointment of governor  $i$  at time  $t$  is viewed as independent of political motives according to criterion  $j$ , and equals 0 otherwise. The subscript  $j$  can be  $1, \dots, n$  with  $n = 3$ . For example,  $C_{i,t}^1$  represents the criterion “Executive ties,” which equals 1 if the appointed governor has no previous employment, ideological alignment, or family links with the executive and equals 0 otherwise. The GI index  $\text{GI}_{i,t}$  ranges from 0 to 1, with higher values indicating greater independence of the governor. Each criterion is weighted equally.

This additive approach is valuable because it draws on distinct and complementary sources of information. While biographical records may provide evidence of ties (such as employment history or family links), the press and experts can sometimes uncover additional information that is not readily observable from official sources. Conversely, press reports and expert opinions may themselves be biased, and in such cases, the objective facts from biographical data provide a useful counterbalance. The additive structure allows the strengths in one criterion to offset potential weaknesses in another. For example, a governor might receive a low score from the press but have no executive ties and favorable expert assessments, leading to a higher overall GI score than a governor where all three criteria point to political motives.

**Alternative GI indexes** To assess whether the results are sensitive to the aggregation method, we develop two alternative versions of the GI index:

1. **GI Lexi (Lexicographic Approach):** GI Lexi applies a stricter, non-additive rule, where a governor is classified as independent only if *all* three criteria—“Executive Ties,” “Press,” and “Experts”—indicate independence. Under this approach, any indication of political influence results in a classification of non-independence. Although this method is more restrictive, it provides a useful robustness check by not allowing one strong criterion to offset weaknesses in others, that is, independence is determined by the “weakest link.”

2. **GI PCA (Principal Component Analysis):** GI PCA is constructed using the first principal component of the 5 sub-criteria that form the baseline index. The key advantage of PCA is its ability to reduce the dimensionality of the data while preserving the maximum variance across the criteria. This approach generates a data-driven index, without assumptions about the relative importance (weights) of the individual criteria or the aggregation method (see, e.g., Ellul and Yerramilli, 2013).

Each version of the index provides a distinct perspective on measuring governor independence, enabling us to test the robustness of our main findings across different approaches. We also report results for each criterion separately. As shown in Table 1, we are able to compute the GI index for 274 of the 317 governors in our sample, as data for some criteria are missing for certain observations. The GI index has a mean of 0.549 and a standard deviation of 0.372.<sup>19</sup>

In contrast, the GI Lexi index, which applies a non-additive approach, covers all 317 appointments and yields a lower average value of 0.319. This reflects a higher proportion of governors classified as political appointees under the stricter “weakest link” rule. Under GI Lexi, a governor is classified as not independent (i.e., GI Lexi = 0) if any of the three criteria indicate political influence, even if data for some criteria are unavailable. By contrast, with the additive or PCA approaches, the index is only computed when data are available for all three criteria.

To examine the relationships among the different versions of the index and its underlying criteria, we present a correlation matrix in Table 2. The alternative indexes are all positively correlated, with pairwise correlations of 0.780 or greater; the strongest correlation is between the baseline index and GI PCA (0.914). The pairwise correlations between the GI index and its three components are also positive and statistically significant, but never near 1, indicating that each criterion captures distinct information. Among the three criteria, the highest correlation is between “Executive Ties” and “Press” (0.422), suggesting that press evaluations are strongly influenced by executive ties. In addition, the correlation between “Experts” and “Press” is stronger than between “Experts” and “Executive Ties” (0.347 vs. 0.269), indicating that both experts and the press reflect broader political factors beyond executive ties.

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<sup>19</sup>The GI index is higher for developed countries compared to developing ones. Specifically, the average index value for developed countries is 0.60, while for developing countries it is 0.48. This difference is statistically significant at the 1% level, with a *t*-test value of 2.73. We use the World Bank’s income classification, categorizing high-income countries as “developed” and low-, lower-, and upper-middle-income countries as “developing.”

## 2.2 De jure CBI and other governor and country characteristics

To measure de jure CBI, we rely on three standard indexes: Cukierman et al. (1992) (CWN), Grilli et al. (1991) (GMT), and Romelli (2022, 2024) (ROM). These indexes capture key legal and institutional features of central banks, such as appointment and removal procedures, policy objectives, and restrictions lending to the government. The most recent index, ROM, extends CWN and GMT by incorporating two critical dimensions, “financial independence” and “accountability,” and introduces time-variation. In our empirical analysis, we use this time-variation to identify the timing of the main central bank reforms in each country. Data for all three indexes are taken from Romelli (2024), which extends coverage until 2023.

The de jure CBI indexes range from 0 (indicating no independence) to 1 (indicating full independence). Descriptive statistics, provided in Table A2 in the Appendix A, show that the ROM index has an average value of 0.622, with a broad range from 0.147 to 0.929. As the three indexes exhibit a high degree of correlation, we adopt ROM as the primary measure of de jure CBI and reports results for CWN and GMT in robustness analyses. Unless otherwise specified, the term “de jure CBI” in our tables denotes the ROM index from Romelli (2024).

Figure 1 shows the average average difference (“gap”) between de jure CBI and the GI index for each country. Positive gaps (red bars above zero) signify countries where the de jure CBI index suggests a higher degree of central bank independence than the GI index. The opposite is true for countries with negative gaps. Countries are sorted based on the size of the gap. Bolivia and Venezuela top the list with the largest positive gaps. On the other end of the spectrum, the United Kingdom and Australia have the largest negative gaps. On average, the gap is 0.10, and it is smaller in developed than in developing countries (0.06 vs. 0.14).

In addition to de jure CBI, we also account for other governor characteristics identified in the literature (e.g., Mishra and Reshef, 2019). Specifically, we control for educational background (i.e., whether the governor holds a PhD in economics/finance or a related postgraduate degree) and for professional experience in top-level roles at central banks, international organizations (e.g., IMF, BIS), academia (professor in economics/finance), the private financial sector, or high-level government advisory bodies (e.g., council of economic advisors). Our data sources include the database of Mishra and Reshef (2019), which we supplement from various online

sources (e.g., central bank websites, biographies, CVs, the press).

The correlation matrix in Table 2 reveals that governor independence is positively and significantly linked to both advanced educational qualifications (PhD or advanced related degree) and high-level professional experience (central banks or international organizations). The correlation with academic background is also positive but weaker. Interestingly, there is no significant relationship between governor independence and top-level positions in the financial sector or economic advisory councils. Breaking down the index to its three criteria, we observe that more independent governors based on the “Executive Ties” and “Experts” criteria tend to have stronger educational and professional backgrounds (top level positions at central banks), while for “Press,” the positive link appears mainly with educational qualifications.

Finally, we also incorporate variables capturing the broader macroeconomic and political context at the time of each appointment. Specifically, we use data on government stability from the International Country Risk Guide (ICRG) and indicators of macroeconomic turbulence: (i) whether the governor’s predecessor was forced to resign or removed prior to the end of their term, and (ii) whether the country was under an IMF program at the time of the appointment.

### 2.3 Index validation

Validating the GI index is important to ensure that it captures meaningful variation in central bank governor independence, rather than noise. Hence, in Table 3, we examine whether the GI index and its alternatives correlate with established indicators of de facto CBI from the literature. Specifically, high turnover rates and early departures have long been interpreted as signs of political interference and thus low de facto CBI (Cukierman et al., 1992; Cukierman and Webb, 1995; Crowe and Meade, 2007; Dreher et al., 2008; Artha and de Haan, 2015).

Using a Cox (1972) hazard model, we assess how the GI index and its alternatives relate to the likelihood of early departures. Column (1) shows that more independent appointments (i.e., those with higher GI values) are associated with a lower hazard rate of early exit, consistent with higher de facto CBI.<sup>20</sup> A one standard deviation increase in the GI index (i.e., by 0.372) is

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<sup>20</sup>The hazard rate indicates the likelihood that a governor leaves office at a specific time during their term, conditional on not having left the office by that time. Figure OA2 in the Online Appendix shows that the baseline hazard function is U-shaped—initially declining, then rising toward the end of the term. The Kaplan-Meier survival curve suggests that the probability of remaining in office declines sharply after the first two years.

associated with a 31.8% lower probability of early departure (i.e.,  $\exp(-1.029 \times 0.372) \approx 0.682$ ).

Columns (2)-(3) of Table 3 show that the two alternative GI indexes, GI Lexi and GI PCA, are each associated with a lower likelihood of early departures, with GI PCA enjoying greater statistical significance than GI Lexi. Overall, these results support the informativeness of the GI-based measures in capturing meaningful differences in appointment independence.

Turning to the control variables, we find that central bank governors are less likely to leave office prematurely when government stability is high or when the country is operating under an IMF program. In contrast, governors who themselves replaced predecessors who left office before completing their term are also more likely to depart early. Additionally, prior top-level experience at a central bank, international organization, or economic advisory body is associated with greater tenure stability. Conversely, governors with primarily academic backgrounds are more likely to leave office early. However, we find no systematic relationship between a governor's formal educational attainment and early departure.

Finally, column (4) presents a similar validation for "Experts (hindsight)," the variable we use to examine whether more independent appointees are also thought to have behaved more independently while in office. The results mirror those for the GI index: more independent governors, as measure by "Experts (hindsight)," are significantly less likely to leave early.

## 3 Results

### 3.1 Governor appointments and de jure CBI

The original motivation for granting central bank independence was to protect central banks from political interference. If these reforms are effective, we would expect that central bank appointments would become (and perceived to be) more politically independent as de jure CBI increases. After all, such reforms include, among other things, provisions to safeguard both the appointment and the tenure of the central bank governor from political interference. This narrative predicts a positive correlation between the GI index and measures of de jure CBI. If, instead, politicians try to retain control by appointing allies, we would expect either no correlation, or even a negative correlation between the GI and de jure CBI indexes.

Figure 2 suggest that this second narrative fits the data better (the values of both the de jure CBI and GI indexes are normalized to 1 at the start of the sample period i.e., in 1985). We observe a significant increase in the de jure CBI indexes after 1997 when many countries began to grant more independence to their central banks. By contrast, the GI index remains fairly stable, with a slight decline until 2013 when it shows a temporary and moderate rise. Table 2 further shows that the GI index has no strong economic or statistical correlation with the de jure CBI index. This lack of correlation holds not only for the baseline GI index, but also for the modified versions (GI Lexi and GI PCA). Based on these patterns, it does not appear that more independent governors are appointed as de jure CBI increases. To more formally test this, we estimate the following model with a rich set of controls:

$$GI_{i,k,t} = \beta \cdot \text{de jure CBI}_{i,t} + \gamma \cdot X'_{i,t} + \alpha_i + \epsilon_{i,k,t}, \quad (2)$$

where  $GI_{i,k,t}$  indicates whether the appointment of governor  $k$  in country  $i$  at time  $t$  was (perceived as) politically independent, based on the GI index or each of its criteria. As mentioned above, higher GI values signify more independent appointments. The variable de jure CBI $_{i,t}$  measures the institutional independence of the central bank in country  $i$  at time  $t$ .

The matrix  $X'_{i,t}$  includes a rich set of controls designed to capture the economic and political environment at the time of the governor's appointment such as government stability (which reflects the strength and durability of the ruling coalition), whether the newly appointed governor replaces someone who left office before the end of their term (which may indicate economic and political interference), and whether the country was under an IMF program at the time of appointment. These control variables reflect factors that could plausibly influence both the likelihood of appointing an independent governor and the timing of de jure CBI reforms. In addition, we control for other governor-specific characteristics like the governor's prior professional experience and background, drawing on Mishra and Reshef (2019).

In the most saturated specifications, the model includes country-fixed effects,  $\alpha_i$ , which account for unobserved country characteristics not captured by our controls. This includes time-invariant characteristics of a country's political system that may influence the desirability of an independent central bank (e.g., the number of veto-players in a political system, whether the

country has a federal system, etc.).<sup>21</sup> This ensures that our coefficient of interest,  $\beta$ , is identified using within-country variation over time, controlling for persistent differences in political institutions. The model is estimated at the governor appointment level using ordinary least squares (OLS), with standard errors corrected for heteroskedasticity and clustered at the country level.

Table 4 reports the results.<sup>22</sup> We begin in column (1) with a specification without any control variables. Consistent with patterns in Figure 2 and Table 2, we find that the coefficient of interest,  $\beta$ , is negative ( $-0.135$ ) and statistically indistinguishable from zero, indicating no systematic relationship between GI and de jure CBI. In column (2), we introduce controls for country-level factors and governor characteristics. The coefficient  $\beta$  remains statistically insignificant. Among the control variables, governors with top-level positions at a central bank or an international organization are associated with more independent appointments, with positive and statistically significant coefficients. All other controls are insignificant. In column (3), we add country-fixed effects, so the estimates are identified using within-country variation over time. The coefficient of interest remains statistically insignificant and economically close to zero ( $0.063$ ). Notably, governors appointed when a country is under an IMF program tend to be more independent.

Further, in columns (4)–(6) of Table 4, we open up the GI index into its three criteria. Once again, we find no systematic relationship between de jure CBI and any criterion. This result is also maintained in column (7) when using the stricter GI Lexi index, which classifies governors as independent only if all three criteria indicate independence, and in column (8) when replacing the GI index with the first principal component (GI PCA) of its five sub-criteria.<sup>23</sup>

In Table 5, we further examine the relationship between the GI index and the first component of de jure CBI (de jure CBI governance), which focuses specifically on institutional provisions aimed at enhancing “agent independence” by safeguarding the appointment, tenure, and dismissal of governors and their boards from political interference. If central bank institutional reforms are effective in promoting central bank independence, we should, at the very least, ob-

<sup>21</sup>Veto-player theory suggests that multiple veto players increase bureaucratic independence (Tsebelis, 2002). This is supported by empirical studies showing that countries with federal structures tend to have more politically independent central banks (Farvaque, 2002; Hallerberg, 2002; Gilardi, 2007).

<sup>22</sup>As noted earlier, the term de jure CBI refers to the ROM index, our baseline measure of central bank independence. Results are similar when using the GWN or GMT indexes (Table OA2 in the Online Appendix.)

<sup>23</sup>We construct the GI PCA by performing a singular value decomposition of the correlation matrix of the five sub-criteria, using the eigenvector associated with the largest eigenvalue as the principal component. Table OA3 in the Online Appendix shows the loadings of the original five sub-criteria on the GI PCA. The GI PCA and the GI index are highly correlated ( $0.914$ ), with all criteria loading positively.

serve a positive relationship between the GI index and de jure CBI governance. However, as shown in column (1), no such relationship is evident. The estimated coefficient of the de jure CBI governance is statistically insignificant and economically close to zero (0.050). This null result persists also using GI Lexi or GI PCA, as shown in columns (2) and (3), respectively.

**Instrumental variable approach** A potential concern is that changes in de jure CBI are endogenous i.e., governments may implement central bank reforms in response to economic conditions that also influence governor appointments. To address this, we employ an IV approach to isolate exogenous variation in de jure CBI. Following Acemoglu et al. (2019), we construct our instrument as the jackknife average of CBI in a region in a given year, excluding the focal country. The intuition is that CBI reforms often diffuse regionally through information spillovers: as neighboring countries adopt reforms, the likelihood of similar changes increases (Simmons and Elkins, 2004; Abiad and Mody, 2005). Instruments of this nature have been widely used in the literature, including, among others, Dorsch and Maarek (2019), Delis, Hasan, and Ongena (2020), and Ahmad, Lambert, Martin-Flores, and Romec (2024).

Using this regional diffusion measure as an instrument for de jure CBI, we estimate two-stage least squares (2SLS) specifications of Eqn. 2. The results are reported as in Table 6. Panel A reports the second-stage results and Panel B presents the first-stage estimates along with the corresponding F-statistics, which range from 35.560 to 39.495, comfortably above conventional weak instrument thresholds. The 2SLS estimates are consistent with our OLS results in Table 4: across all specifications, we find no systematic relationship between de jure CBI and the GI index or its components. This holds for the baseline GI index as well as the alternative indexes.

While these IV estimates are encouraging and help mitigate endogeneity concerns, we acknowledge their limitations. Specifically, while our instrument reduces concerns about country-specific omitted variables, it does not fully eliminate the risk that regional economic shocks may influence both de jure CBI reforms and governor appointments, potentially violating the exclusion restriction.<sup>24</sup> We therefore interpret these results with caution.

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<sup>24</sup>Alternative strategies exploiting plausibly exogenous leadership transitions (e.g., deaths or illnesses, as in Besley et al., 2011) face similar challenges. Although these events may be exogenous, the choice of successor remains subject to political discretion and thus potentially endogenous. In addition, such events are rare, limiting the feasibility of this approach in practice.

**Robustness checks** We subjected our baseline findings to several robustness tests. First, as reported in Table OA4 in the Online Appendix, we confirm our baseline results for both developed and developing countries: we find no systematic association between the GI index and the de jure CBI index for either set of countries. Second, we confirm that our results hold if we exclude Eurozone (EZ) countries from the sample. In particular, our baseline analysis includes EZ central banks in the sample, as these central banks continue to exercise substantial control over domestic financial regulation and supervision. In addition, their governors sit on the ECB’s Governing Council, where they vote on monetary policy and financial stability decisions, providing a rationale for their inclusion.<sup>25</sup> Nonetheless, one could argue that EZ central banks have less influence than fully sovereign central banks, potentially reducing the incentives for governments to appoint political allies. To address this concern, we re-estimate our specifications excluding EZ countries. As shown in Table OA4, the results remain unchanged: we continue to find no systematic relationship between de jure CBI and the GI index. This indicates that our baseline findings are not driven by the presence of EZ central banks in the sample.

Finally, we also examine whether populist parties are more likely to appoint politically connected governors. Using a cross-country populism measure from Lambert and Pan (2025), we find that more populist governments are generally less likely to appoint independent central bank governors (Table OA5 in the Online Appendix).<sup>26</sup> This relationship is robust to a rich set of controls, while the coefficient of de jure CBI is in all cases statistically insignificant. When distinguishing between left- and right-wing populism in the most saturated specification with country fixed effects, we find that both are associated with fewer independent appointments, though only the coefficient for right-wing populism is statistically significant.

### 3.2 Are appointments more political after policy independence?

Our findings thus far do not support the idea that central bank governor appointments become (or are perceived to be) more independent as countries implement reforms to shield central banks and their agents from political interference. One could in fact argue that politicians’ incentives

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<sup>25</sup>To avoid double counting, we do not include the ECB itself in the sample.

<sup>26</sup>The populism classification is based on Funke et al. (2023), who use a comprehensive literature-based approach drawing on over 800 scholarly sources to classify political leaders as populist based on consistent anti-elite and people-centered rhetoric. Leaders are further categorized as right-wing or left-wing populists depending on whether their discourse is framed primarily around cultural or economic issues, respectively.

to appoint governors who are less likely to act independently may become stronger when the decision-making individuals are insulated from external pressure.

As Aklin and Kern (2021) notes, “CBI solves the time inconsistency problem faced by policy-makers with respect to monetary policy [...] it does not solve their underlying incentives to manipulate the economy for political gains [...]”. This can create a “seesaw effect”: when a policy reform takes place in one dimension but the political equilibrium remains largely unchanged, politicians may use a different instrument, such as fiscal policy, to attain the objective previously achieved with the reformed instrument (Acemoglu et al., 2008).

One way for politicians to retain control and influence over policies is through political appointments. This idea can be easily understood in the context of a principal-agent framework: politicians (the principal) may appoint governors (the agents) who share their policy preferences or who are incentivized by career concerns to align with political objectives. As Tucker (2018) points out, the principal (government) making the agent (governor) appointment has strong incentives to appoint governors who share their preferences or are loyal to the government rather than to the central bank’s mandate. This in turn creates an adverse selection problem, where candidates committed to the central bank’s independence are deterred from pursuing the governor position. If such dynamics are at play, we would expect to see an increase in political appointments as central banks and their agents gain legal and policy independence.

To bring this hypothesis to the data, we examine how the within-country relationship between GI and de jure CBI governance changes after a central bank is given policy independence:

$$\begin{aligned} \text{GI}_{i,k,t} = & \beta_1 \cdot \text{de jure CBI governance}_{i,t} + \beta_2 \cdot \text{de jure CBI governance}_{i,t} \cdot \text{Main policy reform}_{i,t} \\ & + \beta_3 \cdot \text{Main policy reform}_{i,t} + \gamma \cdot X'_{i,t} + \alpha_i + \epsilon_{i,k,t}, \end{aligned} \tag{3}$$

where the variable,  $\text{de jure CBI governance}_{i,t}$ , indicates the first component of de jure CBI (ROM) index in country  $i$  at time  $t$ . The variable,  $\text{Main policy reform}_{i,t}$ , takes the value of 1 after the first significant legislative reform granting policy independence to the central bank in country  $i$ , and 0 otherwise. For instance, in the case of the United Kingdom, the variable,  $\text{Main Policy Reform}_{i,t}$ , equals 1 from 1998 onward, corresponding to the time when the Bank

of England was given policy independence for the purpose of maintaining price stability.<sup>27</sup> All other variables are the same as in Eqn. 2. A positive  $\beta_1$  indicates that prior to policy independence, reforms aiming to improve the appointment and tenure of the governor and its board are also reflected in more independent governor appointments. A negative  $\beta_2$  indicates that after a central bank is granted independence this relation weakens or even reverses if the combined coefficient,  $\beta_1 + \beta_2$ , becomes negative and statistically significant, consistent with our hypothesis.

Table 7 reports the results. Column (1) shows the baseline specification with country fixed effects. We find that  $\beta_1$  is positive and statistically insignificant, while  $\beta_2$  is strongly negative ( $-1.874$ ) and statistically significant. The combined coefficient is negative and statistically significant, indicating that after a central bank is granted policy independence, the relationship between provisions enhancing “agent independence” and the GI index becomes strongly negative. In other words, when central banks can set policy and agents are protected by institutional reforms, political appointments become more likely. This pattern holds in columns (2)–(4) as we progressively add more controls. Figure 3 offers a visual illustration.

The negative relationship also holds in columns (5)–(7) across each of the three criteria and in columns (8)–(9) for the alternative GI Lexi and GI PCA indexes. Starting from column (3), the specifications include a control for whether the country was undergoing EU accession, as well as an interaction between de jure CBI and EU accession. The interaction coefficient is positive and statistically significant, indicating that the negative relationship between de jure CBI and independent appointments is mitigated when countries are subject to external pressures, such as the EU accession process. Similar results also hold when countries are under an IMF program (Table OA7 in the Online Appendix), supporting the interpretation that external constraints moderate the tendency of governments to appoint politically connected central bank governors.

Overall, our findings suggest that as countries enhance the institutional independence of their central banks, central bank governor appointments become more independent. This holds even when institutional reforms aim specifically to insulate the appointment process and the tenure of central bank governors from political interference. In contrast, we observe a strong negative relationship between independent governor appointments and institutional reforms that shield governors from political interference. However, this negative correlation does not apply when

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<sup>27</sup>Table OA6 in the Online Appendix reports the corresponding specific year for each central bank in the sample.

local politicians face external constraints from the EU or the IMF.

**Robustness checks** While the variable “Main policy reform” is defined based on the timing of policy independence, this should not be interpreted narrowly as indicating solely policy independence, but rather as reflective of a broader increase in *de jure* independence. Often, when central banks are given independence in setting policy, other institutional reforms are introduced to support the central bank in its policy objectives. For example, as central banks gained more legal independence, there was a movement toward greater transparency in monetary policy, as documented, for example, by Dincer, Eichengreen, and Geraats (2022).<sup>28</sup> Since these broader reforms correlate and interact with policy independence, it is virtually impossible to attribute the results to one specific reform. Hence, a broader interpretation is warranted.

Nevertheless, we perform robustness analysis using alternative definitions of “Main policy reform,” based on the timing of other related reforms. Although this analysis cannot pinpoint the results to any specific reform, it can help reveal which other reforms produce similar results (i.e., contain similar explanatory power) and may thus be important.<sup>29</sup> As shown in Table OA8 in the Online Appendix, we find no significant effect for reforms targeting policy objectives. In contrast, governance interactions with lending limits and transparency yield negative and statistically significant coefficients. The strongest results emerge for financial independence, both in magnitude and significance, consistent with insights from Goncharov et al. (2023).

### 3.3 Are political appointees seen as less independent in office?

An important question is whether governors perceived as less independent at the time of their appointment are also thought to have behaved less independently in office. To examine this, we use responses from the questionnaire sent to the experts. While the first question asks about their perceptions at the time of appointment, the second asks whether, with hindsight, they think the governor acted independently while in office. Based on the second question, we construct a variable—“Experts (hindsight)”—using the balance statistics approach described earlier.

<sup>28</sup>As Fernandez-Albertos (2015) highlights, this increase in transparency may have helped make the delegation of monetary policy to an electorally unaccountable institution more palatable to the public and policymakers.

<sup>29</sup>We use Romelli (2024) to construct four reform variables, each reflecting a distinct dimension of reform: policy objectives, government lending limits, financial independence, and transparency. For each, we define a dummy variable analogous to the main reform indicator and examine them separately to avoid multicollinearity. Reform years for each country are reported in Table OA6 along with variable definitions in Appendix Table A1.

We test whether this variable correlates with the GI index and each of its criteria using specifications similar to Eqn. 2. If appointees seen as more independent at the time of appointment are also thought to have behaved more independently, we should find a positive and statistically significant relationship between “Experts (hindsight)” and the GI index.<sup>30</sup>

The results are reported in Table 8. In column (1), we find a strong, positive relationship between “Experts (hindsight)” and the GI index.<sup>31</sup> Columns (2)–(4) estimate the relationship for each criterion, finding positive and statistically significant coefficients for all. Similar results are obtained in columns (5)–(6) when using the alternative GI Lexi and GI PCA indexes.

Overall, the positive relationship between perceived independence at the time of appointment and retrospective assessments by experts suggests that the GI index may be informative about the perceived independence of central bank governors while in office.

### 3.4 Are political appointees linked to worse policy outcomes?

In this section, we examine whether political appointees are associated with weaker macroeconomic and financial market outcomes. Specifically, we test whether political appointees achieve higher inflation and have a greater likelihood of financial crises during their tenure. We also financial market reactions—sovereign bond and exchange rate returns—around the announcement of appointments to assess whether investors react unfavorably to political appointees.

Governor-specific attributes have long been recognized as important in shaping central bank behavior and economic outcomes, both theoretically (e.g., Kydland and Prescott, 1977; Barro and Gordon, 1983; Rogoff, 1985; Cukierman and Meltzer, 1986) and empirically (e.g., Kuttner and Posen, 2010; Mishra and Reshef, 2019). These suggest that governor choices may influence the institutional credibility, policy choices, and thus investors’ expectations.

**Inflation** Alesina and Summers (1993) provide early evidence that independent central banks are associated with lower inflation. However, subsequent studies have found that this relationship is not robust (e.g., Barro, 1997; Balls, Howat, and Stansbury, 2018; Haldane, 2020). One possible

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<sup>30</sup>Figure OA3 shows the relationship between the GI index and “Experts (hindsight)” by country.

<sup>31</sup>A potential concern is that the positive relationship may simply reflect overlap between the “Experts” criterion in the GI index and the “Experts (hindsight)” variable, as both rely on the same respondents. To address this, Table OA9 in the Online Appendix excludes the “Experts” criterion from the GI index and replicates the analysis. Results remain unchanged, indicating the relationship is not driven by its third criterion.

explanation, supported by our findings, is that legal (de jure) reforms alone do not guarantee de facto independence. In practice, politically motivated appointees can “undo” institutional reforms by prioritizing loyalty to the appointing executive over the central bank mandate. This weakens the effectiveness of de jure independence and thus its link to policy outcomes.

Regression results in Table 9 support this view. Controlling for de jure CBI, the economic and political environment at the time of appointment, other governor characteristics from Mishra and Reshef (2019), and decade fixed effects we find that GI is a consistently stronger and more robust predictor of inflation outcomes than de jure CBI. More independent governors (i.e., those with higher GI scores) attain lower inflation rates during their tenure. Economically, the coefficient in column (4) implies that a one standard deviation increase in GI (0.372) leads to a 23.89% decline in inflation. At the sample mean inflation rate of 1.82%, this corresponds to a reduction of about 0.46 percentage points. While de jure CBI also correlates negatively with inflation, this relationship becomes statistically insignificant once we control for other country characteristics.

The control variables in columns (3) and (4) offer additional interesting insights. We find that governors appointed during periods of high government stability achieve lower inflation rates during their tenure. Instead, those who replace predecessors who left office early are associated with higher inflation—likely reflecting the turbulent conditions or political interference surrounding such transitions. Governors with prior experience in top-level central banking roles or economic advisory councils achieve better inflation outcomes, while those with academic backgrounds are associated with higher inflation rates. Instead, no systematic differences are observed for those with prior experience in the financial sector or international organizations.

Columns (5) and (6) examine how the effect of governor independence varies across institutional settings. In column (5), we interact the GI index with a dummy for whether the central bank had an explicit inflation target at the time of appointment.<sup>32</sup> We find that the interaction term offsets the GI coefficient, suggesting that in inflation-targeting regimes, governor independence does not matter, in line with the notion that formal rules constrain discretionary policy deviations (Fischer et al., 1994; Bernanke, Laubach, Mishkin, and Posen, 1999). Further in column (6), we interact GI with a dummy for EZ membership. The interaction term is positive but smaller in magnitude than the negative coefficient of GI, indicating that while EZ membership

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<sup>32</sup>Data on whether a country has an explicit inflation target are taken from Siklos (2017).

dampens the role of individual governor independence, it does not fully neutralize it.

These results underscore that institutional settings, such as inflation targeting or a monetary union, can constrain the impact of a governor on policy outcomes. While we cannot fully rule out omitted variable bias, the fact that GI's effect weakens when individual discretion is institutionally constrained suggests that governor-specific attributes capture meaningful dimensions of independence that legal measures miss, rather than unobserved country confounders.

In column (7) we further address potential omitted variable concerns by controlling for the inflation rate inherited from the previous governor. This variable captures whether inflation at the time of appointment was unusually high relative to the country's past inflation rate. Controlling for "inherited inflation" helps capture persistent macroeconomic trends, institutional inertia, or policies and expectations formed prior to the current governor's appointment—factors that could otherwise bias our estimates. The results show that, as expected, inherited inflation is positively associated with current inflation outcomes. Crucially, the GI index remains a statistically significant and robust predictor of inflation during the governor's tenure, with an estimated coefficient similar in magnitude to those in earlier specifications. This reinforces the interpretation that governor independence matters, even after accounting for inflation persistence.

A randomization test, reported in Figure OA4 of the Online Appendix, further supports the conclusion that the observed inflation–GI relationship is unlikely to be driven by persistent, unobserved country characteristics that influence both inflation outcomes and governor appointments. Specifically, we randomly reassign GI values across governors 1,000 times (holding each governor's inflation outcome fixed) and re-estimate the baseline model (column 1) in each iteration. This procedure generates a distribution of coefficient estimates under the null hypothesis of no relationship between GI and inflation. If the observed relationship were due to omitted variables correlated with both inflation and GI (such as institutional or structural factors) then similar estimates would arise frequently under random pairings. Instead, if the relationship is not spurious, the true estimate should stand out from the simulated distribution.<sup>33</sup>

The results show that the actual coefficient estimate (highlighted in red in Panel A of Figure OA4) lies in the extreme left tail of the simulated distribution, more extreme in absolute terms than 95.1% of the randomized estimates. The true  $t$ -statistic is equal to  $-2.07$  (highlighted in

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<sup>33</sup>Similar tests are used, for example, by Acharya and Xu (2017) and Goncharov et al. (2023).

red in Panel B) with a *Rank* of 48, indicating that only 48 out of 1,000 randomized  $t$ -statistics are larger in absolute value. The two-tailed  $p$ -value (estimated using the Percentile Rank =  $\frac{\text{rank}}{1+n}$ , where  $n$  indicates the number of permutations) is equal to 0.049. This implies that under the null, there is less than a 5% chance of observing a  $t$ -statistic as strong as the one in the actual data, indicating that the observed inflation-GI relationship is unlikely to arise at random pairings.<sup>34</sup>

**Financial crises** Further in Table 10 we examine how GI and de jure CBI relate to the likelihood of a sovereign, currency, or banking crisis during a governor’s tenure. For each crisis type, we report specifications corresponding to columns (2) and (4) of Table 9.

We find no consistent relationship between de jure CBI and any crisis type. In contrast, GI is significantly and negatively associated with the probability of sovereign debt crises, suggesting that politically independent governors are less likely to face a sovereign debt crisis during their tenure. This finding holds both with and without controls (columns 1 and 2). In column (2), the coefficient of  $-0.11$  implies that a one standard deviation increase in GI (0.372) reduces the likelihood of a sovereign debt crisis by about 4.1 percentage points, a reduction of nearly 75% relative to the 5.47% incidence of sovereign debt crises in the sample.

It is notable that among the three crisis types, only sovereign debt crises exhibit a statistically significant relationship with the GI index.<sup>35</sup> This result suggests a fiscal channel: political appointees may prioritize helping governments finance their debt, increasing the risk of sovereign debt crises, or they be appointed when governments are facing or expect fiscal distress. This result is in line with what the GI index aims to capture and indicates that political appointments may act as compliments to Acemoglu et al. (2008)’s “seesaw effect.”

Overall, the results in Tables 9 and 10 indicate that de facto CBI, as measured by the GI index, has a stronger association with inflation and financial stability outcomes than de jure CBI. While our findings do not necessarily imply that political appointees cause higher inflation or sovereign debt crises, they do indicate that political interference in central banks is not independent of these policy outcomes. An alternative non-causal interpretation of our findings is that political appointments are more likely when inflation is high or fiscal pressures are mounting, emphasizing

<sup>34</sup>This probability is even smaller if we condition the relationship to be negative.

<sup>35</sup>In unreported tests, we confirm that the lack of association with banking crises holds regardless of whether central banks have supervisory responsibilities or whether we account for lag in the buildup of banking imbalances.

the importance of understanding the selection and behavior of central bank governors.

**Financial markets** While longer-run outcomes like inflation and crises may be influenced by confounding factors over the course of a governor’s tenure, financial market reactions around the announcement of an appointment offer a powerful alternative. By focusing on narrow event windows, we can better isolate the immediate signal investors take from the selection of politically connected versus independent candidates. This high-frequency approach is commonly used in the literature to study, among others, the impact of monetary policy surprises on the stock market (e.g., Bernanke and Kuttner, 2005), financial market reactions to key policy appointments (e.g., Kuttner and Posen, 2010; Acemoglu et al., 2016), or public statements by political figures that may shift investor expectations regarding future policy decisions (e.g., Bianchi et al., 2023).

We adopt this event-study approach to examine changes in sovereign bond prices and exchange rates around the public announcement of central bank governors. It is not obvious *ex ante* how markets will respond. If a political appointment signals weaker commitment to price stability or greater policy uncertainty, we would expect sovereign bond yields to rise (i.e., prices to fall) and the domestic currency to depreciate. Conversely, if the appointment is seen as maintaining continuity or enhancing fiscal-monetary coordination without undermining credibility, markets may respond favorably. Alternatively, there may be little or no reaction if the appointment was already priced in or perceived as neutral. By analyzing the relationship between the GI index and high-frequency movements in bond and exchange rate markets, we can assess how investors interpret the appointment’s implications for monetary and fiscal credibility.

We follow the empirical approach of Brogaard, Dai, Ngo, and Zhang (2020), adapting it to our context. Specifically, we study daily returns on 2-year sovereign bonds and bilateral exchange rates against the the US dollar.<sup>36</sup> Bond returns are calculated as percentage changes in bond prices, while exchange rate returns are defined as the percentage change in the local currency per US dollar—a positive return indicates a depreciation. We construct cumulative returns for bond prices and exchange rates over an 11-day event window, from  $t = -5$  to  $t = +5$ , centered on the first date the appointment was reported in the international press ( $t = 0$ ).<sup>37</sup> To ensure cleaner event windows, we limit our analyses to regular transitions—cases where the outgoing governor

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<sup>36</sup>For the United States, we use the euro after 1999 and the Dutch guilder before 1999.

<sup>37</sup>Results are robust to alternative window lengths, including  $(-1, +1)$ ,  $(-3, +3)$ , and  $(-10, +10)$ .

completed their term. Early departures often coincide with periods of economic or political turbulence (Kuttner and Posen, 2010), which may confound reactions to the appointment itself.

In Table 11, we report the results for sovereign bonds. Columns (1)–(3) present results for the most parsimonious specifications, only controlling for country characteristics. We find that the GI index is positively associated with bond returns in the days surrounding the appointment announcement. The positive coefficient on GI suggests that more independent governors are perceived by markets as enhancing policy credibility and fiscal discipline, leading to lower perceived sovereign risk and rising bond prices. By contrast, we find no significant effects for de jure CBI or government stability. In terms of magnitude, the coefficient in column (3) implies that a one standard deviation increase in GI (about 0.372) is associated with a 0.12% increase in bond returns over the 11-day window—equivalent to about 2.7% on an annualized basis.<sup>38</sup>

As in the previous analysis, we examine the robustness of our findings to the inclusion of key governor characteristics (column 4), across different institutional settings (columns 5 and 6), and inherited inflation (column 7). The coefficient on the GI index remains positive and becomes larger in magnitude and statistical significance. In column (8), which controls for all these factors, the coefficient rises to 0.008—more than doubling relative to the baseline in column (3). This implies that, in settings without institutional constraints such as inflation targeting or EU membership, a one standard deviation increase in GI is associated with a 0.30% increase in bond returns over the event window, or roughly 4% on an annualized basis.

We also find that governors who previously held top-level positions in the central bank or in international organizations are associated with higher bond returns, suggesting that prior experience enhances market confidence. As with our inflation results, the interaction between GI and inflation targets suggests that when central banks operate under explicit inflation targets, there is less room for individual discretion—so their independence matters less.

Table 12 presents the results on exchange rate returns, following the same specifications as in Table 11. Consistent with Kuttner and Posen (2010), we exclude countries with pegged exchange rate regimes and EZ countries. The GI index is negatively associated with exchange rate returns, though the relationship falls just short of conventional significance thresholds. The negative

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<sup>38</sup>We annualize the 11-day return using the formula:  $(1+r)^{252/11} - 1$ , where  $r = 0.00115$  and 252 is the typical number of trading days in a year. This yields an annualized appreciation of approximately 2.7%.

coefficient implies an appreciation of the domestic currency in response to the appointment of more independent governors—potentially reflecting expectations of tighter monetary policy or stronger institutional credibility. In terms of magnitude, the  $-0.105$  coefficient in column (3) indicates that a one standard deviation increase in GI is associated with a 0.02% appreciation over the 11-day window, or approximately a 0.46% annualized appreciation.

Overall, our financial market results indicate that investors respond positively to politically independent appointees, reinforcing the view that political governor appointments convey meaningful information about the credibility and future policy direction of the central bank.

## 4 Conclusions

Our study contributes to the literature on political economy and central banking by providing systematic evidence on central bank independence across a wide range of countries over the past few decades. We find that governor appointments do not become more independent as the legal frameworks governing central bank independence are strengthened; if anything, governor appointments appear to become more political as central banks and their agents gain more legal independence. Additional results indicate that politically-motivated appointments are associated with weak de facto central independence, worse inflation and financial stability outcomes, and negative market reactions from investors. Our findings suggest that governments actively seek to “undo” the intended goal of these institutional reforms with political appointments.

Our results demonstrate that political appointments are not unique to any specific administration or country but is part of a broader systematic phenomenon.<sup>39</sup> Our findings illustrate that legal independence is not sufficient to ensure that the most suitable appointment will be made, or the appointment will not to be captured by political interests. As central banks grow

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<sup>39</sup>For example, in an interview with the *Financial Times* in September 2024, Alan Blinder, a prominent economist and former vice-chairman of the Federal Reserve, expressed concern about political appointments to the Federal Reserve. When asked about the Fed’s future independence in a Trump or Harris administration, Blinder responded, “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.” (see Robert Armstrong and Aiden Reiter, “Alan S. Blinder: The stars look like they’re aligning for a soft landing”, *The Financial Times*, September 13, 2024).

more powerful and this power becomes more widely recognized, political pressure and interference in governor appointments are likely to increase, with the goal of influencing future central bank policies. Such interference will essentially prevent de jure central bank independence from resolving any time inconsistency problems that politicians may be facing.

How can societies ensure that de facto independence is safeguarded? This is not an easy question to answer. As noted by Tucker (2018), governments often have incentives to appoint individuals who are loyal to political interests rather than committed to the institution's mandate, creating barriers to true independence. This also leads to an adverse selection problem, where qualified candidates who align with the central bank's mandate are deterred from seeking leadership roles. Our findings highlight the importance of the appointment process in selecting governors who are, and are perceived to be, independent from political constraints. Our findings also support the hypothesis that formal rules (like inflation targeting) can reduce a politically-appointed governor's deviation from the central bank mandate.

Given the significant un-elected power vested to central bank governors, it is vital to maintain some form of accountability. Regularly reporting to parliament on central bank policy decisions can enhance this accountability (Fraccaroli, Giovannini, and Jamet, 2021; Masciandaro, Ferrara, Moschella, and Romelli, 2021). Additionally, designing central banks where decisions are made by committees (Blinder et al., 2017), rather than by one individual, could improve trust between politicians and the independent central bank, or introduce checks and balances that improve final outcomes (Persson, Roland, and Tabellini, 1997). Our results for Eurozone countries are consistent with this interpretation. Publishing verbatim transcripts or minutes of decisions, where legally permissible, could also address trust deficits as increased transparency may have the virtue of disciplining policy decision-making (Hansen, McMahon, and Prat, 2018). In fact, accountability is a way to allay the fears of elected politicians that unelected central bank governors are a threat requiring ex ante interference in the appointment process. Therefore, safeguarding the appointment process must go hand in hand with establishing robust accountability systems.

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Table 1: Coding rules and descriptive statistics for the GI indexes and its (sub-)criteria

	N	Mean	SD
<b>C1. Executive ties</b>	<b>296</b>	<b>0.446</b>	<b>0.498</b>
C1.1. The latest position of the appointee is in the executive branch of the government	298	0.268	0.444
C1.2. The appointee has a prior link to the ruling political party/parties via any of the following: prior electoral mandate, publicly known partisan relationship/friendship	295	0.447	0.498
C1.3. The appointee has a prior link to the ruling political party/parties via family ties (up to third-degree family members)	300	0.030	0.171
<i>Coding rule:</i> If none of the above = 1, then “Executive ties” = 1 (i.e., independent based on criterion C1)			
<b>C2. Press</b>	<b>317</b>	<b>0.625</b>	<b>0.485</b>
C2.1. The international (English-speaking) press explicitly reports the appointment as “political”			
<i>Coding rule:</i> If C2.1 = 0, then “Press” = 1 (i.e., independent based on criterion C2)			
<b>C3. Experts</b>	<b>294</b>	<b>0.612</b>	<b>0.488</b>
C3.1. The majority of academics surveyed indicates that the appointment is “political”			
<i>Coding rule:</i> If C3.1 = 0, then “Experts” = 1 (i.e., independent based on criterion C3)			
<b><i>Governor Independence (GI) indexes</i></b>			
<b>GI</b>	<b>274</b>	<b>0.549</b>	<b>0.372</b>
<i>Coding rule:</i> $GI = (C1 + C2 + C3)/3$ (i.e., Eqn. 1)			
<b>GI Lexi</b>	<b>317</b>	<b>0.319</b>	<b>0.467</b>
<i>Coding rule:</i> GI Lexi = 1 only if all three criteria on “Executive Ties” (C1), “Press” (C2) and “Experts” (C3) indicate independence, and 0 otherwise; If data is only available for a subset of these criteria and suggest that the governor is not independent, we classify that governor as not independent.			
<b>GI PCA</b>	<b>273</b>	<b>0.692</b>	<b>0.260</b>
<i>Coding rule:</i> GI PCA is a principal component version of GI using the first principal component of the 5 sub-criteria that form the GI index			
Sample period	Jan 1985 – Jan 2020		
Number of countries	57		
Number of governor appointments	317		

Note: This table presents descriptive statistics for all criteria and sub-criteria used in the construction of the GI and alternative indexes.

Table 2: Correlation matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(1) GI	1																
(2) Executive ties	0.755***	1															
(3) Press	0.795***	0.422***	1														
(4) Experts	0.719***	0.269***	0.347***	1													
(5) GI Lexi	0.780***	0.737***	0.530***	0.533***	1												
(6) GI PCA	0.914***	0.770***	0.739***	0.560***	0.725***	1											
(7) De Jure CBI	-0.071	-0.042	-0.114*	-0.081	-0.044	-0.045	1										
(8) Government stability	0.002	-0.008	-0.013	-0.009	-0.015	0.008	0.056	1									
(9) Early replacement	-0.004	0.041	-0.077	-0.012	-0.033	-0.02	0.130**	-0.009	1								
(10) IMF program	0.035	-0.023	0.009	0.082	0.004	0.013	0.028	-0.013	0.037	1							
(11) PhD degree	0.239***	0.137**	0.104*	0.291***	0.182***	0.190***	0.074	0.04	-0.009	0.042	1						
(12) Advanced related degree	0.219***	0.173***	0.134**	0.186***	0.189***	0.174***	0.079	0.024	0.028	0.066	0.596***	1					
(13) Central bank (top position)	0.171***	0.219***	0.031	0.138**	0.196***	0.198***	0.048	0.065	0.007	-0.026	0.114**	0.116**	1				
(14) International organization	0.125**	0.094	0.059	0.141**	0.04	0.09	0.043	0.044	-0.006	0.028	0.181***	0.081	-0.098*	1			
(15) Academic institution	0.105*	0.025	0.015	0.151**	0.08	0.032	0.077	-0.038	0.038	0.110*	0.489***	0.285***	0.005	0.05	1		
(16) Financial sector	-0.031	0.083	-0.041	-0.095	0.002	-0.008	0.046	-0.014	0.109*	0.011	-0.095*	0.025	-0.006	-0.03	-0.065	1	
(17) Government advisory body	0.011	-0.089	-0.008	0.095	-0.051	0.008	0.076	0.107*	-0.046	0.071	0.173***	0.118**	-0.02	0.05	0.130**	0.079	1

Note: This table presents the correlation matrix for the key variables used in the analysis. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table 3: Survival analysis

	(1)	(2)	(3)	(4)
GI	-1.029*** [-2.895]			
GI Lexi		-0.705** [-2.418]		
GI PCA			-1.633*** [-3.476]	
Experts (hindsight)				-1.445*** [-3.920]
Government stability	-0.278*** [-4.176]	-0.230*** [-3.866]	-0.275*** [-4.038]	-0.215*** [-3.633]
Early replacement	0.554* [1.782]	0.670** [2.193]	0.574* [1.864]	0.638** [2.091]
IMF program	-41.581*** [-46.676]	-39.485*** [-49.653]	-37.665*** [-40.341]	-41.178*** [-48.787]
PhD degree	0.326 [0.901]	0.105 [0.295]	0.293 [0.825]	0.432 [1.278]
Advanced related degree	-0.019 [-0.054]	-0.031 [-0.089]	-0.042 [-0.119]	0.023 [0.062]
Central bank (top position)	-0.604** [-1.991]	-0.581** [-2.163]	-0.593* [-1.923]	-0.616** [-2.101]
International organization	-0.593 [-1.386]	-0.676* [-1.846]	-0.581 [-1.290]	-0.490 [-1.369]
Academic institution	0.743*** [3.023]	0.693*** [3.189]	0.664*** [2.815]	0.595*** [2.966]
Financial sector	-0.123 [-0.410]	0.194 [0.707]	-0.167 [-0.526]	-0.008 [-0.032]
Government advisory body	-1.057* [-1.857]	-1.128* [-1.956]	-1.084* [-1.827]	-0.953* [-1.748]
Country FE	YES	YES	YES	YES
Observations	240	273	239	252
Early departures	67	78	66	70

Note: This table presents estimates of the effect of governor appointments on the likelihood that a governor leaves office prior to the end of the term based on a survival analysis. The period from the beginning of a governor's term in office until early departures is the "term duration". In the model, the hazard rate,  $h_k(t)$ , is the likelihood that a governor  $k$  leaves office at time  $t$ , conditional on not having left office by that time. The proportional hazard specification is such that:  $h_k(t) = h_0(t) \exp(\beta \text{GI}_{i,k,t} + \gamma X'_{i,t} + \alpha_i)$ . In this model,  $h_k(t)$  represents the hazard, or the instantaneous risk of early departure, at time  $t$  for governor  $k$ , conditional on survival to  $t$ ;  $h_0(t)$  is the baseline hazard;  $\text{GI}_{i,k,t}$  is the GI index or one of its variations, and  $X'_{i,t}$  includes observable country and governor characteristics; and  $\alpha_i$  denotes country-fixed effects. The Cox (1972) partial likelihood model is used to base estimation of  $\beta$  (the coefficient of interest) on the ordering of the duration spells. Because the model makes no assumptions about the baseline hazard,  $h_k(t)$ , the Cox partial likelihood model is referred to as "semi-parametric". Figure OA2, Panel A, shows the baseline hazard function, while Panel B exhibits the Kaplan-Meier survival curve. All columns report results of the survival analysis. Robust standard errors are clustered at the country level.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table 4: Governor appointments and de jure CBI

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	GI			Executive ties	Press	Experts	GI Lexi	GI PCA
De jure CBI	-0.135 [-0.857]	-0.237 [-1.474]	0.063 [0.313]	0.111 [0.445]	-0.014 [-0.063]	0.093 [0.360]	0.062 [0.217]	0.005 [0.038]
Government stability		-0.001 [-0.077]	-0.007 [-0.534]	-0.019 [-0.814]	-0.008 [-0.465]	0.006 [0.407]	-0.016 [-0.881]	-0.006 [-0.569]
Early replacement		0.032 [0.479]	0.029 [0.474]	-0.007 [-0.073]	0.078 [0.901]	0.015 [0.186]	-0.017 [-0.214]	0.012 [0.264]
IMF program		0.102 [1.567]	0.471*** [3.567]	0.317*** [2.744]	0.735*** [3.165]	0.360 [1.487]	0.264** [2.102]	0.366*** [5.139]
PhD degree		0.122 [1.523]	0.106 [1.401]	0.166 [1.595]	0.037 [0.412]	0.113 [1.398]	0.122 [1.303]	0.068 [1.173]
Advanced related degree		0.091 [1.206]	0.121 [1.598]	0.105 [1.098]	0.112 [1.261]	0.146* [1.731]	0.092 [1.108]	0.074 [1.497]
Central bank (top position)		0.121** [2.315]	0.138*** [2.698]	0.200** [2.573]	0.150** [2.240]	0.063 [0.992]	0.187** [2.521]	0.085** [2.511]
International organization		0.108* [1.951]	0.091 [1.419]	0.102 [1.131]	0.131* [1.701]	0.040 [0.463]	0.021 [0.281]	0.057 [1.371]
Academic institution		-0.043 [-0.621]	-0.049 [-0.818]	-0.064 [-0.749]	-0.094 [-1.248]	0.010 [0.154]	-0.035 [-0.436]	-0.055 [-1.078]
Financial sector		0.009 [0.160]	0.041 [0.677]	0.087 [0.952]	0.052 [0.819]	-0.016 [-0.198]	0.018 [0.244]	0.018 [0.418]
Government advisory body		-0.006 [-0.088]	0.031 [0.416]	-0.104 [-1.039]	0.143 [1.347]	0.052 [0.544]	0.019 [0.189]	0.040 [0.877]
Country FE			YES	YES	YES	YES	YES	YES
Observations	251	223	222	222	222	222	255	221
R-squared	0.005	0.122	0.468	0.397	0.441	0.567	0.359	0.443

Note: This table presents estimates of the effect of de jure CBI on governor appointments based on the model in Eqn. 2. Columns (1)-(3) report results using the GI index as dependent variable. Columns (4)-(5) report results using a criterion of the GI index (specified in the column label) as the dependent variable. Column (7) presents results for the lexicographic GI approach (GI Lexi), where GI equals one only if all three key criteria—"Executive Ties," "Press," and "Experts"—indicate independence. Column (8) reports results using GI PCA as the dependent variable, that is, the first principal component of the 5 sub-criteria forming the GI index. Robust standard errors are clustered at the country level.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table 5: Governor appointments and de jure CBI components

Dependent variable:	(1)	(2)	(3)
	GI	GI Lexi	GI PCA
De jure CBI governance	0.050 [0.257]	0.179 [0.694]	-0.049 [-0.400]
Government stability	-0.007 [-0.525]	-0.016 [-0.883]	-0.006 [-0.556]
Early replacement	0.029 [0.469]	-0.023 [-0.279]	0.014 [0.320]
IMF program	0.473*** [3.566]	0.274** [2.244]	0.363*** [5.113]
PhD degree	0.107 [1.415]	0.128 [1.365]	0.066 [1.147]
Advanced related degree	0.122 [1.614]	0.085 [1.005]	0.077 [1.559]
Central bank (top position)	0.139*** [2.700]	0.190** [2.587]	0.084** [2.427]
International organization	0.092 [1.413]	0.019 [0.245]	0.059 [1.390]
Academic institution	-0.051 [-0.826]	-0.040 [-0.493]	-0.054 [-1.035]
Financial sector	0.042 [0.681]	0.017 [0.234]	0.019 [0.446]
Government advisory body	0.032 [0.441]	0.012 [0.120]	0.043 [0.975]
Country FE	YES	YES	YES
Observations	222	255	221
R-squared	0.468	0.361	0.443

Note: This table presents estimates of the effect of the de jure CBI governance on governor appointments based on the model in Eqn. 2. Column (1) reports results using the baseline GI index as the dependent variable. Column (2) presents results for the lexicographic GI approach (GI Lexi), where GI equals one only if all three key criteria—“Executive Ties,” “Press,” and “Experts”—indicate independence. Column (3) reports results using GI PCA as the dependent variable, that is, the first principal component of the 5 sub-criteria forming the GI index.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table 6: Governor appointments and de jure CBI: IV estimates

<b>Panel A: 2SLS estimates</b>						
	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable:	GI	Executive ties	Press	Experts	GI Lexi	GI PCA
De jure CBI	-0.170 [-0.480]	-0.176 [-0.355]	-0.566 [-1.375]	0.078 [0.169]	0.012 [0.022]	-0.298 [-1.111]
Government stability	-0.005 [-0.391]	-0.018 [-0.850]	-0.008 [-0.493]	-0.002 [-0.122]	-0.016 [-0.876]	-0.004 [-0.358]
Early replacement	0.037 [0.571]	-0.003 [-0.037]	0.064 [0.861]	0.035 [0.421]	-0.021 [-0.248]	0.022 [0.452]
IMF program	0.468*** [3.769]	0.336*** [2.808]	0.760*** [3.902]	0.350 [1.323]	0.266** [2.085]	0.363*** [5.646]
PhD degree	0.104 [1.361]	0.202** [2.073]	0.104 [1.192]	0.121 [1.506]	0.125 [1.341]	0.066 [1.107]
Advanced related degree	0.134 [1.656]	0.082 [0.910]	0.116 [1.346]	0.118 [1.331]	0.094 [1.085]	0.090* [1.693]
Central bank (top position)	0.139*** [2.708]	0.222*** [3.222]	0.110* [1.847]	0.117 [1.643]	0.183** [2.463]	0.086** [2.462]
International organization	0.097 [1.474]	0.126 [1.453]	0.132** [2.028]	0.074 [0.834]	0.020 [0.252]	0.065 [1.462]
Academic institution	-0.049 [-0.788]	-0.092 [-1.102]	-0.091 [-1.298]	-0.002 [-0.025]	-0.031 [-0.387]	-0.055 [-1.019]
Financial sector	0.047 [0.756]	0.096 [1.147]	0.017 [0.295]	-0.000 [-0.005]	0.017 [0.222]	0.026 [0.552]
Government advisory body	0.046 [0.621]	-0.078 [-0.858]	0.177 [1.556]	0.064 [0.674]	0.021 [0.229]	0.059 [1.368]
Country FE	YES	YES	YES	YES	YES	YES
Observations	221	241	254	233	254	220

<b>Panel B: First-stage estimates</b>						
	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable:	De jure CBI					
Regional CBI diffusion	0.647*** [5.965]	0.635*** [6.232]	0.643*** [6.285]	0.658*** [6.042]	0.643*** [6.285]	0.647*** [5.964]
Partial R-squared	0,289	0,291	0,278	0,278	0,278	0,289
Excluded instruments (F-statistic)	35,583	38,835	39,495	36,509	39,495	35,560

Note: This table presents 2SLS estimates of the effect of de jure CBI on governor appointments based on the model in Eqn. 2. Panel A presents 2SLS estimates instrumenting de jure CBI with regional CBI diffusion. In Panel A, column (1) reports second-stage results using the baseline GI index as dependent variable, and columns (2)-(4) report second-stage results using a criterion of the GI index (specified in the column label) as dependent variable. Column (5) presents results for the lexicographic GI approach (GI Lexi), where GI equals one only if all three key criteria—“Executive Ties,” “Press,” and “Experts”—indicate independence. Column (6) reports results using GI PCA as the dependent variable, that is, the first principal component of the 5 sub-criteria forming the GI index. Panel B presents the corresponding first-stage results, the partial R-squared of the excluded instruments in explaining the variation in the endogenous variable, and the excluded instruments F-statistic. Robust standard errors are clustered at the country level. *t*-statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table 7: Governor appointments, de jure CBI (governance), and main policy reforms

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
	GI									
	GI			Executive ties			Press	Experts	GI Lexi	GI PCA
De jure CBI governance	0.170 [0.975]	0.269 [1.327]	0.265 [1.174]	0.152 [0.671]	0.178 [0.696]	0.102 [0.443]	0.117 [0.463]	0.428 [1.355]	-0.018 [-0.125]	
Main policy reform	1.014*** [4.585]	0.746*** [11.345]	1.105*** [7.210]	0.625*** [2.151]	0.087 [0.284]	1.264* [1.794]	0.613 [0.869]	0.139 [1.222]	0.139 [0.821]	
De jure CBI governance × Main policy reform	-1.874*** [-7.052]	-1.680*** [-29.545]	-2.274*** [-9.530]	-1.584*** [-3.597]	-1.039*** [-2.360]	-2.025** [-2.060]	-1.751* [-1.910]	-1.791** [-2.601]	-0.508* [-1.869]	
Government stability		-0.001 [-0.094]	-0.004 [-0.304]	-0.005 [-0.427]	-0.019 [-0.879]	-0.012 [-0.851]	0.008 [0.557]	-0.008 [-0.451]	-0.006 [-0.524]	
Early replacement		0.038 [0.646]	0.030 [0.539]	0.023 [0.378]	-0.023 [-0.272]	0.052 [0.695]	0.034 [0.421]	-0.024 [-0.300]	0.012 [0.258]	
IMF program		0.421*** [4.493]	0.423*** [4.265]	0.490*** [3.658]	0.363*** [3.305]	0.773*** [3.474]	0.368 [1.516]	0.296** [2.216]	0.370*** [5.157]	
EU accession			-0.422 [-1.127]	-0.600* [-1.887]	-1.088** [-2.367]	-0.536 [-1.526]	-0.302 [-1.018]	-0.425 [-1.075]	-0.358 [-1.445]	
De jure CBI x EU accession		-1.874*** [2.037]	1.420** [3.012]	1.338*** [3.563]	2.148*** [3.563]	1.092** [2.013]	0.956 [1.638]	1.109 [1.647]	0.743** [2.477]	
PhD degree				0.106 [1.355]	0.217** [2.217]	0.105 [1.182]	0.118 [1.437]	0.125 [1.303]	0.068 [1.160]	
Advanced related degree				0.115 [1.506]	0.065 [0.818]	0.074 [0.918]	0.123 [1.360]	0.078 [0.893]	0.075 [1.501]	
Central bank (top position)				0.140*** [2.710]	0.226*** [3.207]	0.116* [1.971]	0.092 [1.447]	0.178** [2.558]	0.085** [2.396]	
International organization				0.108 [1.647]	0.132 [1.642]	0.134* [1.999]	0.086 [0.956]	0.029 [0.382]	0.066 [1.525]	
Academic institution				-0.057 [-0.897]	-0.107 [-1.260]	-0.113 [-1.584]	0.014 [0.197]	-0.037 [-0.447]	-0.059 [-1.102]	
Financial sector				0.046 [0.771]	0.099 [1.268]	0.012 [0.202]	-0.006 [-0.075]	0.017 [0.237]	0.022 [0.511]	
Government advisory body				0.024 [0.323]	-0.105 [-1.067]	0.136 [1.257]	0.052 [0.572]	-0.012 [-0.122]	0.040 [0.898]	
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	
Observations	250	226	226	222	242	255	234	255	221	
R-squared	0.397	0.406	0.426	0.503	0.449	0.453	0.568	0.396	0.461	

Note: This table presents estimates of the effect of de jure CBI (governance component) following main policy reforms on governor appointments based on the model in Eqn. 3. Columns (1)-(4) report results using the GI index as dependent variable. Columns (5)-(7) report results using a criterion of the GI index (specified in the column label) as dependent variable. Column (8) presents results for the lexicographic GI approach (GI Lexi), where GI equals one only if all three key criteria—"Executive Ties," "Press," and "Experts"—indicate independence. Column (9) reports results using GI PCA as the dependent variable, that is, the first principal component of the 5 sub-criteria forming the GI index. Robust standard errors are clustered at the country level. *t*-statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table 8: Experts' hindsight opinion and governor appointments

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)
	Experts (hindsight)					
GI	0.423*** [7.831]					
Executive ties		0.144*** [4.167]				
Press			0.182*** [4.106]			
Experts				0.436*** [11.784]		
GI Lexi					0.279*** [5.538]	
GI PCA						0.467*** [6.106]
Government stability	0.012 [1.317]	0.011 [1.032]	0.006 [0.546]	0.004 [0.506]	0.006 [0.776]	0.011 [1.095]
Early replacement	-0.026 [-0.971]	-0.017 [-0.492]	-0.032 [-1.087]	-0.021 [-0.705]	-0.022 [-0.764]	-0.017 [-0.607]
IMF program	0.265*** [6.166]	0.402*** [5.071]	0.343*** [4.689]	0.207** [2.511]	0.369*** [3.898]	0.285*** [4.880]
PhD degree	0.017 [0.425]	0.040 [0.841]	0.066 [1.388]	0.021 [0.525]	0.063 [1.422]	0.028 [0.677]
Advanced related degree	0.060 [1.656]	0.090* [1.882]	0.077 [1.481]	0.057 [1.459]	0.059 [1.294]	0.076* [1.762]
Central bank (top position)	-0.026 [-0.919]	-0.002 [-0.045]	0.046 [1.097]	0.017 [0.619]	0.014 [0.383]	-0.014 [-0.479]
International organization	-0.014 [-0.377]	0.005 [0.119]	0.021 [0.471]	0.001 [0.055]	0.029 [0.718]	-0.000 [-0.011]
Academic institution	0.035 [1.126]	0.026 [0.682]	0.025 [0.675]	0.002 [0.080]	0.006 [0.183]	0.038 [1.107]
Financial sector	0.030 [0.739]	0.035 [0.773]	0.055 [1.091]	0.055 [1.432]	0.046 [1.078]	0.035 [0.731]
Government advisory body	0.029 [0.722]	0.048 [1.027]	0.025 [0.611]	0.017 [0.492]	0.039 [0.804]	0.022 [0.554]
Country FE	YES	YES	YES	YES	YES	YES
Observations	239	239	251	251	251	238
R-squared	0.722	0.632	0.608	0.763	0.662	0.677

Note: This table presents estimates of the effect of governor appointments on experts' hindsight opinion based on a version of the model in Eqn. 2. All columns report results using Experts (hindsight) as dependent variable. Robust standard errors are clustered at the country level.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table 9: Inflation and governor independence

	Inflation						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
GI	-0.711**	-0.752**	-0.877***	-0.734**	-0.934**	-1.017**	-0.759*
	[-2.068]	[-2.156]	[-2.629]	[-2.159]	[-2.195]	[-2.086]	[-1.676]
De jure CBI		-1.562***	-0.638	-0.589	-0.736	0.557	0.495
		[-2.731]	[-1.241]	[-1.121]	[-1.293]	[0.800]	[0.757]
Government stability			-0.304***	-0.274***	-0.274***	-0.268***	-0.218***
			[-4.542]	[-4.076]	[-4.107]	[-4.065]	[-3.561]
Early replacement			0.933***	0.844***	0.827***	0.625***	0.543***
			[4.339]	[3.870]	[3.794]	[2.842]	[2.705]
IMF program			-0.206	-0.498	-0.280	-0.419	-0.329
			[-0.635]	[-1.635]	[-0.784]	[-1.212]	[-1.044]
PhD degree				-0.648*	-0.587*	-0.433	-0.452
				[-1.853]	[-1.685]	[-1.353]	[-1.481]
Advanced related degree				0.486	0.464	0.398	0.351
				[1.411]	[1.371]	[1.224]	[1.147]
Central bank (top position)				-0.391**	-0.367*	-0.270	-0.280
				[-1.998]	[-1.736]	[-1.366]	[-1.505]
International organization				0.038	0.097	0.204	0.265
				[0.126]	[0.323]	[0.717]	[0.992]
Academic institution				0.590**	0.598**	0.453*	0.416*
				[2.330]	[2.348]	[1.845]	[1.792]
Financial sector				-0.229	-0.202	-0.298	-0.281
				[-1.128]	[-0.932]	[-1.407]	[-1.437]
Government advisory body				-0.666***	-0.667***	-0.558**	-0.356
				[-3.129]	[-3.021]	[-2.522]	[-1.446]
GI $\times$ Inflation target					1.031*	1.192*	1.042
					[1.659]	[1.837]	[1.553]
Inflation target					-0.947**	-1.370***	-1.068**
					[-2.297]	[-3.118]	[-2.350]
GI $\times$ Eurozone						0.458	0.134
						[0.656]	[0.198]
Eurozone						-1.886***	-1.088**
						[-3.241]	[-2.003]
Inherited inflation							1.203***
							[5.814]
Decade FE			YES	YES	YES	YES	YES
Observations	266	243	219	215	215	215	214
R-squared	0.021	0.052	0.223	0.283	0.296	0.363	0.450

Note: This table presents estimates of the effect of governor appointments on inflation. Columns (1)-(7) report results using the mean inflation during tenure (log) as dependent variable. Standard errors are robust to heteroskedasticity.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 10: Financial crises and governor independence

	Sovereign debt		Currency		Banking	
	(1)	(2)	(3)	(4)	(5)	(6)
GI	-0.170*** [-3.417]	-0.110** [-2.308]	-0.050 [-0.816]	0.006 [0.101]	-0.015 [-0.230]	-0.019 [-0.266]
De jure CBI	0.033 [0.550]	0.033 [0.550]	-0.164* [-1.738]	-0.123 [-1.109]	-0.049 [-0.397]	0.227* [1.701]
Government stability		-0.009 [-1.155]		-0.021 [-1.511]		-0.001 [-0.033]
Early replacement		0.022 [0.812]		0.080* [1.818]		-0.067 [-1.266]
IMF program		-0.089** [-2.446]		-0.056 [-1.061]		-0.006 [-0.124]
PhD degree		-0.018 [-0.352]		0.028 [0.457]		-0.002 [-0.026]
Advanced related degree		-0.010 [-0.240]		-0.015 [-0.241]		0.016 [0.236]
Central bank (top position)		-0.042 [-1.427]		-0.021 [-0.461]		0.040 [0.723]
International organization		-0.031 [-1.044]		-0.063 [-1.303]		-0.047 [-0.778]
Academic institution		0.048 [1.171]		-0.060 [-1.109]		-0.002 [-0.030]
Financial sector		-0.015 [-0.443]		-0.037 [-0.790]		0.010 [0.186]
Government advisory body		-0.021 [-0.498]		-0.097*** [-2.966]		0.051 [0.715]
Decade FE		YES		YES		YES
Observations	251	223	251	223	251	223
R-squared	0.078	0.116	0.011	0.071	0.001	0.117

Note: This table presents estimates of the effect of governor appointments on the propensity of several types of crises (i.e., sovereign debt, currency, and banking crises). Odd-numbered columns correspond to column (2) of Table 9, while even-numbered columns correspond to column (4) of Table 9. Standard errors are robust to heteroskedasticity.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 11: Sovereign bond returns and governor independence

	Bond returns [-5,+5]						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
GI	0.003*	0.002*	0.003*	0.003**	0.006***	0.008**	0.008**
	[1.930]	[1.825]	[1.958]	[2.030]	[2.786]	[2.253]	[2.184]
De jure CBI		-0.004	-0.003	-0.002	-0.002	-0.000	-0.001
		[-1.425]	[-1.128]	[-0.669]	[-0.482]	[-0.036]	[-0.170]
Government stability			-0.001	-0.001	-0.001	-0.001	-0.001
			[-1.384]	[-1.438]	[-1.632]	[-1.649]	[-1.599]
PhD degree				-0.000	0.000	0.000	0.000
				[-0.038]	[0.160]	[0.126]	[0.111]
Advanced related degree				-0.002	-0.002	-0.002	-0.002
				[-1.605]	[-1.326]	[-1.140]	[-1.116]
Central bank (top position)				0.003*	0.004**	0.004*	0.004*
				[1.771]	[2.125]	[2.027]	[1.945]
International organization				0.003*	0.003*	0.003	0.003
				[1.707]	[1.823]	[1.651]	[1.628]
Academic institution				0.001	0.000	0.000	0.001
				[0.550]	[0.262]	[0.261]	[0.347]
Financial sector				-0.001	-0.000	-0.000	-0.000
				[-0.474]	[-0.025]	[-0.165]	[-0.188]
Government advisory body				-0.002*	-0.002	-0.002	-0.002
				[-1.693]	[-1.665]	[-1.408]	[-1.468]
Inflation target					0.003**	0.004	0.004
					[2.125]	[1.549]	[1.531]
GI × Inflation target					-0.008***	-0.009**	-0.009**
					[-2.819]	[-2.318]	[-2.194]
Eurozone						0.001	0.001
						[0.317]	[0.306]
GI × Eurozone						-0.004	-0.004
						[-1.269]	[-1.228]
Inherited inflation							-0.001
							[-0.344]
Observations	51	51	50	50	50	50	50
R-squared	0.076	0.112	0.216	0.373	0.460	0.478	0.480

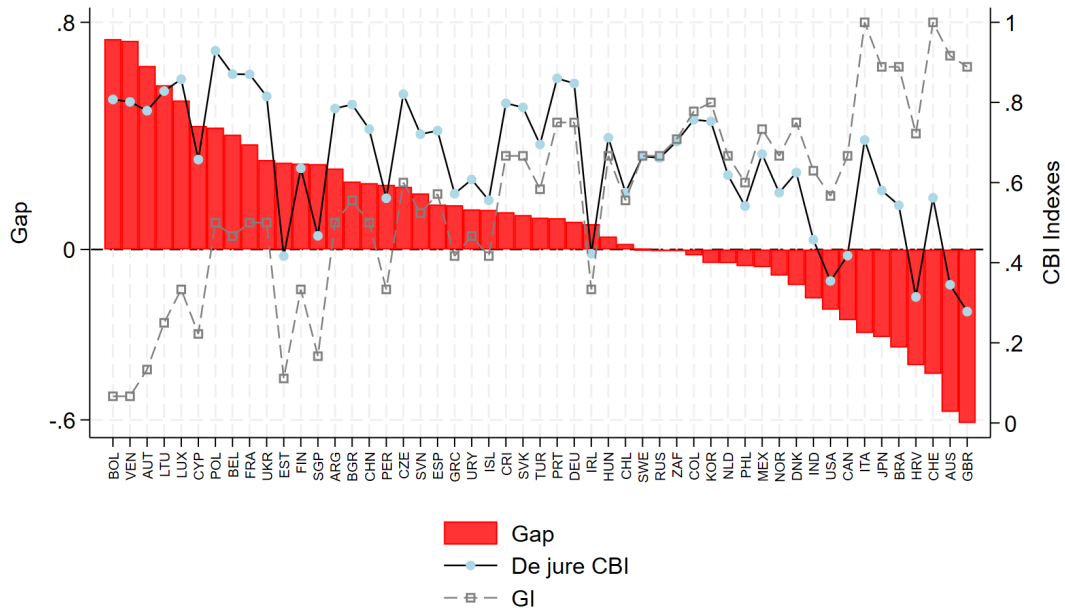
Note: This table presents estimates of the effect of governor appointments on bond returns. Columns (1)-(7) report results using the cumulative returns of the sovereign bond return with maturity of 2 years based on local currencies, calculated over the 10-day window around the appointment announcement date, as dependent variable. Standard errors are robust to heteroskedasticity.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 12: Foreign exchange rate returns and governor independence

	FX returns [-5,+5]					
	(1)	(2)	(3)	(4)	(5)	(6)
GI	-0.099 [-1.050]	-0.089 [-1.114]	-0.105 [-1.155]	-0.181 [-1.275]	-0.248 [-1.220]	-0.228 [-0.936]
De jure CBI		0.194 [1.246]	0.238 [1.313]	0.103 [0.934]	0.103 [0.953]	0.083 [0.835]
Government stability			-0.043 [-1.435]	-0.056 [-1.455]	-0.057 [-1.452]	-0.049 [-1.094]
PhD degree				0.066 [0.799]	0.058 [0.754]	0.081 [1.028]
Advanced related degree				0.158 [1.143]	0.154 [1.132]	0.125 [1.014]
Central bank (top position)				0.018 [0.301]	0.001 [0.021]	-0.019 [-0.389]
International organization				0.035 [0.588]	0.053 [0.698]	0.070 [0.867]
Academic institution				-0.178 [-1.319]	-0.166 [-1.337]	-0.137 [-1.101]
Financial sector				0.095 [1.222]	0.078 [1.110]	0.072 [0.984]
Government advisory body				0.033 [0.662]	0.019 [0.405]	-0.003 [-0.095]
Inflation target					-0.063 [-0.618]	-0.078 [-0.666]
GI $\times$ Inflation target					0.196 [0.983]	0.180 [0.838]
Inherited inflation						-0.076 [-1.004]
Observations	85	82	76	76	76	75
R-squared	0.016	0.032	0.092	0.213	0.231	0.206

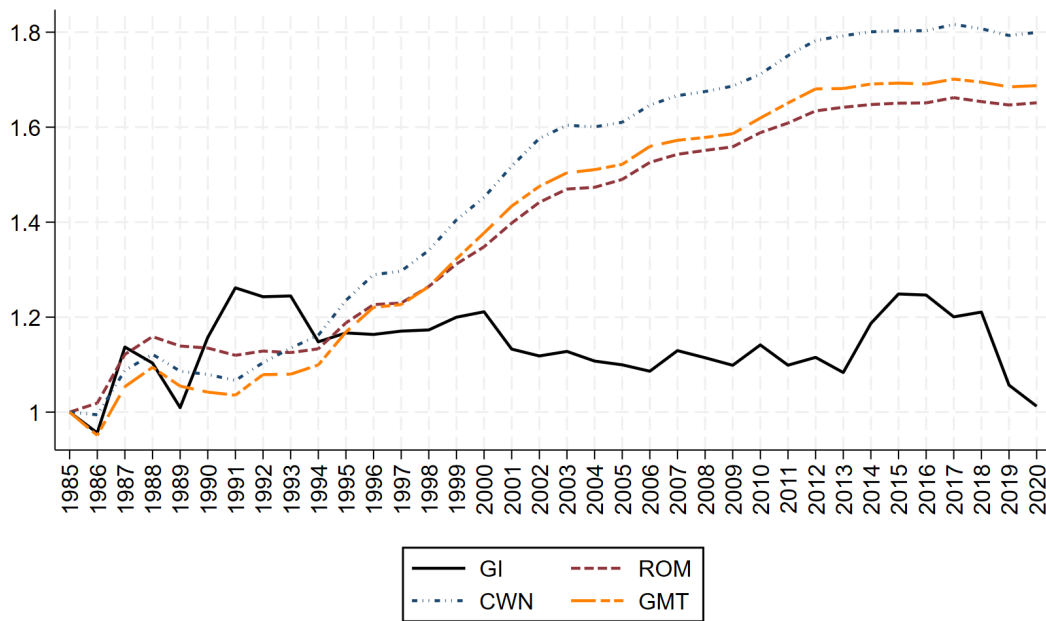
Note: This table presents estimates of the effect of governor appointments on FX returns. Columns (1)-(6) report results using the cumulative exchange rate returns, calculated over the 10-day window around the appointment announcement date as dependent variable. Standard errors are robust to heteroskedasticity.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Figure 1: GI and de jure CBI indexes across countries



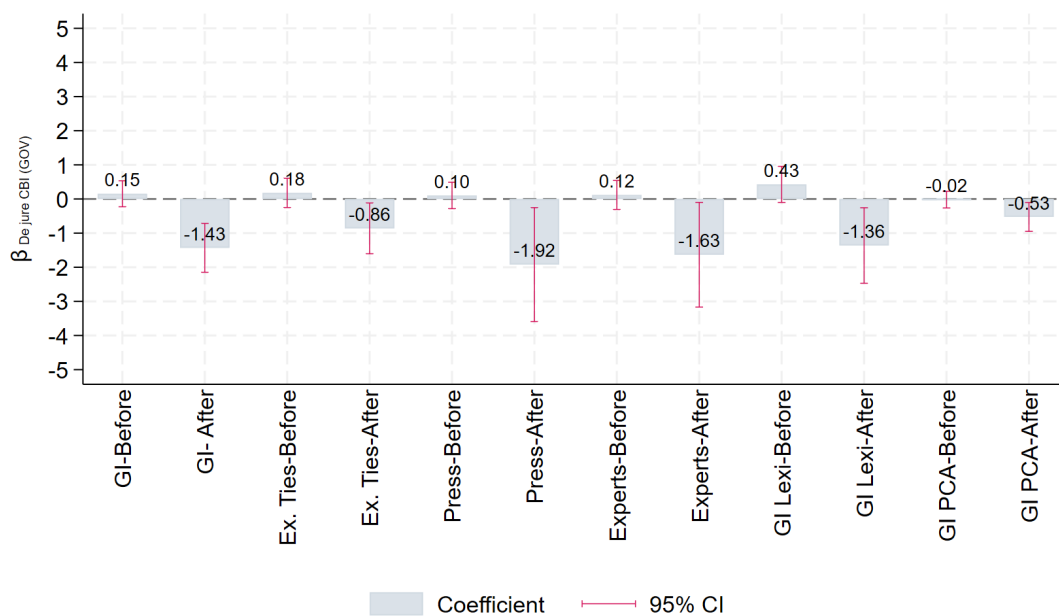
Note: This figure aggregates the data on the GI and de jure CBI indexes at the country level. The red bars show the gap between de jure CBI and GI indexes, which is calculated as the difference between the de jure CBI and GI indexes (left y-axis). The connected dots show the mean value of the de jure CBI index (light blue solid line) and GI index (blue dashed line) across countries (right y-axis). Larger bars above zero reflect higher gaps, with de jure independence (higher de jure CBI index) being larger than de facto independence (higher GI index). Conversely, larger bars below zero reflect higher gaps, with de facto independence (higher GI index) being larger than de jure independence (higher de jure CBI index). Smaller bars reflect higher convergence between de jure independence (de jure CBI index) and de facto independence (GI index).

Figure 2: GI and de jure CBI indexes over time



Note: This figure aggregates the data on different indexes at the year level and plots them over time. The black line shows the evolution for the GI index. The dotted lines show the evolution for the de jure CBI indexes: the red line shows the evolution for the ROM index (referring to Romelli, 2022, 2024), the scattered blue line for the CWN index (Cukierman et al., 1992), and the scattered yellow line for the GMT index (Grilli et al., 1991). The values of the indexes are normalized relative to their levels in 1985 (set to 1). Higher values for all of these indexes reflect more independence.

Figure 3:  $\beta_1$  estimates of de jure CBI (governance)



Note: This figure shows the  $\beta_1$  estimates (grey) with their 95% confidence intervals (red) of the effect of de jure CBI (governance component) before and after main policy reforms on governor appointments based on the model in Eqn. 3. *Before* reflects the marginal effect of De jure CBI ( $\beta_1$ ) while *After* captures the sum of the main and interaction effects ( $\beta_1 + \beta_2$ ). The figure shows, as dependent variable, the GI index, each of its criterion (“Executive Ties,” “Press,” and “Experts”), the GI Lexi index, and the GI PCA index, respectively.

## A Appendix

Table A1: Variable Definitions and Sources

Variable name	Definitions and data sources
GI	Index of independence of central bank governor appointments, ranging between 0 (no independence) and 1 (full independence) and varying at the governor-appointment year level. The index consists of three criteria: (1) Executive ties; (2) Press; and (3) Experts. See Table 1 for details about the coding rules. Source: authors.
GI Lexi	Lexicographic dummy variable for central bank governor independence that takes the value of 1 if none of the criteria for “Executive ties,” “Press,” and “Experts” indicate dependence, and 0 otherwise. Source: authors.
GI PCA	The first principal component of the 5 sub-criteria forming the GI index (see Table OA3 in the online appendix). Principal component analysis effectively performs a singular value decomposition of the correlation matrix of GI sub-criteria. The single factor selected in this study is the eigenvector in the decomposition with the highest eigenvalue. Source: authors.
De jure CBI	Index of central bank independence and accountability, ranging between 0 (no independence) and 1 (full independence) and varying at the country-year level. The index follows codification strategy of Cukierman et al. (1992) and provides information on 42 criteria of central bank institutional design across six subcategories: (1) governor and central bank board; (2) monetary policy and conflict resolution; (3) objectives; (4) limitations on lending to the government; (5) financial independence; and (6) reporting and disclosure. This is the ROM index throughout the analyses unless stated otherwise, in which case it is either the CWN index or GMT index (both indexes only using subcategories (1)-(4)). Sources: Grilli et al. (1991); Cukierman et al. (1992); Romelli (2022, 2024).
De jure CBI governance	Index of independence in central bank governance (subcategory (1) “governor and central bank board” of the ROM index), ranging between 0 (no independence) and 1 (full independence) and varying at the country-year level. Sources: Romelli (2022, 2024).

Main policy reform	Dummy variable that takes the value of 1 in the years following the most significant change to central bank legislation related to the subcategory “monetary policy and conflict resolution,” of the ROM index, and 0 otherwise. A significant reform corresponds to a positive change of approximately 2 standard deviations in the subcategory “policy” of the ROM index (Table OA6 reports the reform years). For robustness purposes in Table OA8, we also construct similar indexes based on the other subcategories of the ROM index (i.e., “objectives,” “limitations on lending to the government,” “financial independence,” and “reporting and disclosure”). Sources: authors following Romelli (2022, 2024).
Government stability	Index measuring both the government’s ability to carry out its declared program(s), and its ability to stay in office. The index consists of three components: (1) government unity; (2) legislative strength; and (3) popular support. The index ranges between 0 and 12 and varies at the country-year level. Source: ICRG.
Early replacement	Dummy variable that takes the value of 1 if the governor’s predecessor was forced to resign or removed prior to the end of his or her term, and 0 otherwise. Source: authors.
IMF program	Dummy variable that takes the value of 1 in the years following an IMF assistance program (Flexible Credit Line Arrangement), and 0 otherwise. Source: authors following Dreher (2006). Source: authors.
PhD degree	Dummy variable that takes the value of 1 if the appointee has a PhD degree in Economics or Finance, and 0 otherwise. Source: authors.
Advanced related degree	Dummy variable that takes the value of 1 if the appointee has a post-graduate degree in related discipline (e.g., Accounting, Business Studies, Law), and 0 otherwise. Source: authors.
Central bank (top position)	Dummy variable that takes the value of 1 if the appointee held a top-level position (i.e., deputy governor, executive or non-executive member of the board of directors) at a central bank, and 0 otherwise. Source: authors.
International organization	Dummy variable that takes the value of 1 if the appointee held a top-level position in international organizations promoting economic, monetary, and financial stability (e.g., IMF, WB, BIS, OECD, EBRD, EIB, IDB), and 0 otherwise. Source: authors.
Academic institution	Dummy variable that takes the value of 1 if the appointee held a high-level position in a related discipline at an academic institution (e.g., university professor in Economics, Finance, Law), and 0 otherwise. Source: authors.

Financial sector	Dummy variable that takes the value of 1 if the appointee held a top management position in the private financial sector, and 0 otherwise. Source: authors.
Government advisory body	Dummy variable that takes the value of 1 if the appointee was member of the council of economic advisors or an equivalent body providing independent advice to the government, and 0 otherwise. Source: authors.
Regional CBI diffusion	The jackknife average of CBI (as measured by “de jure CBI”) in a region in a given year, excluding the own-country observation. There are seven regions: Africa, East Asia and the Pacific, Eastern Europe and Central Asia, Western Europe and other developed countries, Latin America and the Caribbean, the Middle East and the North of Africa, and South Asia. Sources: authors following Acemoglu et al. (2019) and Romelli (2022, 2024).
EU accession	Dummy variable that takes the value of 1 in the five years prior to joining the European Union, and 0 otherwise. Source: authors following Romelli (2022, 2024).
Inflation target	Dummy variable that takes the value of 1 if the country has an explicit inflation target, and 0 otherwise. Sources: Siklos (2017).
Eurozone	Dummy variable that takes the value of 1 if the country is a member of the Eurozone in the corresponding year, and 0 otherwise. Source: authors’ classification.
Inherited inflation	Dummy variable equal to 1 if the average inflation during the governor’s predecessor’s term was above the median past inflation rate, and 0 otherwise. Source: World Bank.
Experts (hindsight)	Dummy variable that takes the value of 1 if the surveyed experts perceive the governor as having acted independently during her or his whole term in office, and 0 otherwise. To quantify the results of the survey accounting for divergence of opinions and the different numbers of responses, the standard balance statistic is calculated (Pesaran and Weale, 2006). A balance statistic greater (smaller) than 0 means a politically independent (a politically dependent) term in office according to the experts. This variable is based on the second question of the survey: “ <i>In your opinion, with the benefit of hindsight, was [Governor’s name] a politically independent central bank governor?</i> ”. Source: authors.
Inflation	The log of the average rate of consumer price inflation during the governor’s term. Source: World Bank.
Sovereign debt	Dummy variable that takes the value of 1 if there is a sovereign debt crisis during the governor’s term, and 0 otherwise. Sources: Laeven and Valencia (2013, 2018).

Currency	Dummy variable that takes the value of 1 if there is a currency crisis during the governor's term, and 0 otherwise. Sources: Laeven and Valencia (2013, 2018).
Banking	Dummy variable that takes the value of 1 if there is a banking crisis during the governor's term, and 0 otherwise. Sources: Laeven and Valencia (2013, 2018).
Bond returns	The cumulative returns of the sovereign bond return with maturity of 2 years based on local currencies, calculated over the 10-day window around the appointment announcement date. Source: Datastream.
FX returns	The cumulative exchange rate returns, calculated over the 10-day window around the appointment announcement date. Higher return implies more depreciation of local currency to U.S. dollar. Source: Compustat.

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Table A2: Descriptive statistics on additional key variables

	(1)	(2)	(3)	(4)	(5)	(6)
	N	Mean	SD	Min	Median	Max
De jure CBI	292	0.622	0.198	0.147	0.618	0.929
Government stability	292	7.126	1.799	1.000	7.000	11.000
Early replacement	317	0.306	0.462	0.000	0.000	1.000
IMF program	310	0.010	0.098	0.000	0.000	1.000
PhD degree	308	0.455	0.499	0.000	0.000	1.000
Advanced related degree	308	0.692	0.463	0.000	1.000	1.000
Central bank (top position)	307	0.459	0.499	0.000	0.000	1.000
International organization	298	0.215	0.411	0.000	0.000	1.000
Academic institution	300	0.457	0.499	0.000	0.000	1.000
Financial sector	298	0.292	0.455	0.000	0.000	1.000
Government advisory body	298	0.111	0.314	0.000	0.000	1.000
Experts (hindsight)	294	0.581	0.316	0.000	0.625	1.000
Inflation	308	1.904	1.790	-2.581	1.572	10.401
Sovereign debt	317	0.047	0.213	0.000	0.000	1.000
Currency	317	0.120	0.325	0.000	0.000	1.000
Banking	317	0.186	0.390	0.000	0.000	1.000
Bond returns	80	0.001	0.005	-0.023	0.001	0.026
FX returns	234	-0.006	0.311	-2.560	-0.000	3.816

Note: This table presents descriptive statistics for all key (control and dependent) variables used in the analysis except the GI index and its criteria, which are reported in Table 1.

**For Online Publication**

**“(In)dependent Central Banks”**

## A Additional Tables and Figures

Table OA1: List of countries and governor appointments

Country code	Country name	Governor appointment (month-year)
ARG	Argentina	Mario Blejer (Jan. 2002), Aldo Pignanelli (Jun. 2002), Alfonso Prat-Gay (Dec. 2002), Martin Redrado (Sep. 2004), Mercedes Marcó del Pont (Feb 2010), Juan Carlos Fabrega (Nov. 2013), Alejandro Vanoli (Oct. 2014), Federico Sturzenegger (Dec. 2015), Luis Caputo (Jun. 2018), Guido Sandleris (Sep. 2018), Miguel Ángel Pesce (Dec. 2019)
AUS	Australia	Bernie Fraser (Sep. 1989), Ian Macfarlane (Sep. 1996), Glenn Stevens (Sep. 2006), Philip Lowe (Sep. 2016)
AUT	Austria	Hellmuth Klauhs (Sep. 1988), Maria Schaumayer (Jun. 1990), Klaus Liebscher (Jun. 1995), Ewald Nowotny (Sep. 2008), Robert Holzmann (Sep. 2019)
BEL	Belgium	Alfons Verplaetse (Jul. 1989), Guy Quaden (Mar. 1999), Luc Coene (Apr. 2011), Jan Smets (Mar. 2015), Pierre Wunsch (Jan. 2019)
BOL	Bolivia	Javier Nogales Iturri (Jun. 1986), Jacques Trigo Loubiere (Jun. 1988), Raúl Boada Rodríguez (Aug. 1989), Armando Méndez Morales (Jun. 1992), Fernando Candia Castillo (Aug. 1993), Juan Antonio Morales (Sep. 1995), Raúl Garrón Claire (May 2006), Gabriel Loza Tellería (Nov. 2008), Marcelo Zabalaga Estrada (Nov. 2010), Pablo Ramos Sánchez (Jan. 2017)
BRA	Brazil	Paulo César Ximenes (Mar. 1993), Pedro Sampaio Malan (Sep. 1993), Pérsio Arida (Jan. 1995), Gustavo Jorge Laboissière Loyola (Jun. 1995), Gustavo Henrique de Barroso Franco (Aug. 1997), Armínio Fraga Neto (Mar. 1999), Henrique de Campos Meirelles (Jan. 2003), Alexandre Antonio Tombini (Jan. 2011), Ilan Goldfajn (Jun. 2016), Roberto de Oliveira Campos Neto (Feb. 2019)
BGR	Bulgaria	Ivan Dragnevski (Dec. 1989), Todor Valchev (Jan. 1991), Lyubomir Filipov (Jan. 1996), Svetoslav Gavriiski (Jun. 1997), Ivan Iskrov (Oct. 2003), Dimitar Radev (Jul. 2015)
CAN	Canada	John Crow (Feb. 1987), Gordon Thiessen (Feb. 1994), David A. Dodge (Feb. 2001), Mark Carney (Feb. 2008), Stephen Poloz (Jun. 2013)
CHL	Chile	Andrés Bianchi Larre (Dec. 1989), Roberto Zahler Mayanz (Dec. 1991), Carlos Massad Abud (Sept. 1996), Vittorio Corbo Lioi (Apr. 2003), José De Gregorio Rebeco (Dec. 2007), Rodrigo Vergara (Dec. 2011), Mario Marcel Culléll (Dec. 2016)
CHN	China	Chen Muhua (Mar. 1985), Li Guixian (Apr. 1988), Zhu Rongji (Jul. 1993), Dai Xianglong (Jun. 1995), Zhou Xiaochuan (Dec. 2002), Yi Gang (Mar. 2018)
COL	Colombia	Miguent Urrutia Montoya (Feb. 1993), José Darío Uribe Escobar (Jan. 2005), Juan José Echavarría Soto (Jan. 2017)
CRI	Costa Rica	Rodrigo Bolaños Zamora (Mar. 1995), Eduardo Lizano Fait (May 1998), Francisco de Paula Gutierrez G. (Nov. 2002), Rodrigo Bolaños Zamora (Jun. 2010), Olivier Castro Pérez (May 2014)

HRV	Croatia	Ante Cicin-Šain (Aug. 1990), Pero Jurkovic (Jun. 1992), Marko Škreb (Mar. 1996), Željko Rohatinski (Jul. 2000), Boris Vujčić (Jul. 2012)
CYP	Cyprus	Christodoulos Christodoulou (May 2002), Athanasios Orphanides (Apr. 2007), Panicos O. Demetriades (May 2012), Chrystalla Georghadji (Apr. 2014), Constantinos Herodotou (Mar. 2019)
CZE	Czech Re-public	Zdeněk Tůma (Dec. 2000), Miroslav Singer (Jul. 2010), Jiří Rusnok (Jul. 2016)
DNK	Denmark	Bodil Nyboe Andersen (Nov. 1994), Nils Bernstein (Jun. 2005), Lars Rohde (Feb. 2013)
EST	Estonia	Siim Kallas (Sep. 1991), Vahur Kraft (Apr. 1995), Andres Lipstok (Jun. 2005), Ardo Hansson (Jun. 2012), Madis Müller (Jun. 2019)
FIN	Finland	Sirkka Hämäläinen (Apr. 1992), Matti Vanhala (Jun. 1998), Erkki Liikanen (Jul. 2004), Olli Rehn (Jul. 2018)
FRA	France	Jacques de Larosiere (Jan. 1987), Jean-Claude Trichet (Sep. 1993), Christian Noyer (Nov. 2003), Francois Villeroy de Saroy de Galhau (Nov. 2015)
DEU	Germany	Helmut Schlesinger (Aug. 1991), Hans Tietmeyer (Oct. 1993), Ernst Welteke (Sep. 1999), Axel Weber (May 2004), Jens Weidmann (May 2011),
GRC	Greece	Efthymios Cristodoulou (Feb. 1992), Ioannis Boutos (Dec. 1993), Lucas Papademos (Oct. 1994), Nikolaos Garganas (Jun. 2002), Georgios Provopoulos (Jun. 2008), Yannis Stournaras (Jun. 2014)
HUN	Hungary	Ferenc Bartha (Jun. 1988), György Surányi (Jul. 1990), Péter Ákos Bod (Dec. 1991), György Surányi (Mar. 1995), Zsigmond Járαι (Mar. 2001), Andras Simor (Mar. 2007), György Matolcsy (Mar. 2013)
ISL	Iceland	Birgir Ísleifur Gunnarsson (Mar. 1991), David Oddsson (Oct. 2005), Már Gudmundsson (Aug. 2009), Ásgeir Jónsson (Jul. 2019)
IND	India	Ram Narain Malhotra (Feb. 1985), S. Venkitaramanan (Dec. 1990), Chakravarthi Rangarajan (Dec. 1992), Bimal Jalan (Nov. 1997), Yaga Venugopal Reddy (Sep. 2003), Duvvuri Subbarao (Sep. 2008), Raghuram Rajan (Sep. 2013), Urjit Patel (Sep. 2016), Shaktikanta Das (Dec. 2018)
IRL	Ireland	Maurice F. Doyle (May 1987), Maurice O'Connell (May 1994), John Hurley (Mar. 2002), Patrick Honohan (Sep. 2009), Philip Lane (Nov. 2015)
ISR	Israel	Michael Bruno (Jun. 1986), Jacob A. Frenkel (Aug. 1991), David Klein (Jan. 2000), Stanley Fischer (May 2005), Karnit Flug (Nov. 2013), Amir Yaron (Dec. 2019)
ITA	Italy	Antonio Fazio (May 1993), Mario Draghi (Dec. 2005), Ignazio Visco (Nov. 2011)
JPN	Japan	Yasushi Mieno (Dec. 1989), Yasuo Matsushita (Dec. 1994), Masaru Hayami (Mar. 1998), Toshihiko Fukui (Mar. 2003), Masaaki Shirakawa (Apr. 2008), Haruhiko Kuroda (Mar. 2013)
KOR	Korea, Rep.	Kun Kim (Mar. 1988), Cho Soon (Mar. 1992), Myung Ho Kim (Mar. 1993), Kyung Shik Lee (Aug. 1995), Chol-Hwan Chon (Mar. 1998), Seung Park (Apr. 2002), Seongtae Lee (Mar. 2006), Choong-Soo Kim (Apr. 2010), Ju-Yeol Lee (Apr. 2014)
LTU	Lithuania	Kazys Ratkevicius (Nov. 1993), Reinoldijus Sarkinas (Feb. 1996), Vitas Vasiliauskas (Apr. 2011)

LUX	Luxembourg	Yves Mersch (Jun. 1998), Gaston Reinesch (Jan. 2013)
MEX	Mexico	Guillermo Ortiz Martinez (Jan. 1998), Agustin Carstens (Jan. 2010), Alejandro Díaz de León Carrillo (Dec. 2017)
NDL	Netherlands	Nout Wellink (Jul. 1997), Klaas Knot (Jul. 2011)
NZL	New Zealand	Donald Brash (Sep. 1988), Alan Bollard (Sep. 2002), Graeme Wheeler (Sep. 2012), Adrian Orr (Mar. 2018)
NOR	Norway	Hermod Skånland (Apr. 1985), Torstein Moland (Jan. 1994), Kjell Storvik (Feb. 1996), Svein Gjedrem (Jan. 1999), Oeystein Olsen (Jan. 2011)
PAK	Pakistan	Imtiaz Alam Hanfi (Aug. 1988), Muhammad Yaqub (Jul. 1993), Ishrat Husain (Dec. 1999), Shamshad Akhtar (Jan. 2006), Syed Salim Raza (Feb. 2009), Shahid Hafeez Kardar (Sep. 2010), Yaseen Anwar (Jul. 2011), Ashraf Mahmood Wathra (Apr. 2014), Tariq Bajwa (Jul. 2017), Reza Baqir (May 2019)
PER	Peru	Pedro Coronado Labo (Dec. 1987), Carlos Capunay Mimbela (Aug. 1989), Jorge Chavez Alvarez (Sep. 1990), Germán Suárez Chávez (Apr. 1992), Richard Webb Duarte (Sep. 2001), Sivla Ruete (Jul. 2003), Julio Velarde Flores (Oct. 2006)
PHL	Philippines	Jose L. Cuisa Jr. (Feb. 1990), Gabriel Singson (Jul. 1993), Rafael Buenaventura (Jul. 1999), Amando Tetangco Jr. (Jul. 2005), Nestor Espenilla Jr. (Jul. 2017), Benjamin Diokno (Mar. 2019)
POL	Poland	Wladyslaw Baka (Nov. 1985), Zdzislaw Pakula (Jul. 1988), Wladyslaw Baka (Sep. 1989), Grzegorz Wojtowicz (Jan. 1991), Andrzej Topinski (Aug. 1991), Hanna Gronkiewicz-Waltz (Mar. 1992), Leszek Balcerowicz (Jan. 2001), Slawomir Skrzypek (Jan. 2007), Marek Belka (Jun. 2010), Adam Glapinski (Jun. 2016)
PTR	Portugal	Vítor Manuel Ribeiro Constâncio (Apr. 1985), Jose Alberto Tavares Moreira (May 1986), Luis Miguel Couceiro Pizarro Beleza (May 1992), Antonio Jose Fernandes de Sousa (Jun. 1994), Vítor Manuel Ribeiro Constâncio (Feb 2000), Carlos da Silva Costa (Jun. 2010)
ROM	Romania	Decebal Urdea (Mar. 1989), Mugur Constantin Isărescu (Sep. 1990)
RUS	Russian Federation	Georgy Matyukhin (Jan. 1990), Viktor Gerashchenko (Jul. 1992), Tatyana Paramonova (Oct. 1994), Sergei Dubinin (Nov. 1995), Viktor Gerashchenko (Sept. 1998), Sergei Ignatyev (Mar. 2002), Elvira Nabiullina (Jun. 2013)
SGP	Singapore	Richard Hu (Jan. 1985), Lee Hsien Loong (Jan. 1998), Goh Chok Tong (Aug. 2004), Tharman Shanmugaratnam (May 2011)
SVK	Slovakia	Marian Tkac (Jan. 1993), Vladimir Masar (Jul. 1993), Marian Jusko (Jul. 1999), Ivan Sramko (Jan. 2005), Jozef Makuch (Jan. 2010), Peter Kazimír (Jun. 2019)
SVN	Slovenia	France Arhar (Jun. 1991), Mitja Gaspari (Apr. 2001), Marko Kranjec (Jun. 2007), Boštjan Jazbec (Jul. 2013), Boštjan Vasle (Dec. 2018)
ZAF	South Africa	Chris Stals (Aug. 1989), Tito Mboweni (Aug. 1999), Gill Marcus (Nov. 2009), Lesetja Kganyago (Nov. 2014)
ESP	Spain	Luis Ángel Rojo Duque (Jul. 1992), Jaime Caruana Lacorte (Jul. 2000), Miguel Ángel Fernández Ordóñez (Jul. 2006), Luis Maria Linde de Castro (Jun. 2012), Pablo Hernández de Cos (Jun. 2018)

LKA	Sri Lanka	Neville Sepala Karunatilake (Nov. 1988), Heen Banda Disanayaka (Jul. 1992), Amarananda Somasiri Jayawardena (Nov. 1995), Sunil Mendis (Jul. 2004), Ajith Nivard Cabraal (Jul. 2006), Arjuna Mahendran (Jan. 2015), Indrajit Coomaraswamy (Jul. 2016), Weligamage Don Lakshman (Dec. 2019)
SWE	Sweden	Urban Bäckström (Jan. 1994), Lars Heikensten (Jan. 2003), Stefan Ingves (Jan. 2006)
CHE	Switzerland	Pierre Languetin (Jan. 1985), Markus Lusser (May 1988), Hans Meyer (May 1996), Jean-Pierre Roth (Jan. 2001), Philipp Hildebrand (Jan. 2010), Thomas J. Jordan (Apr. 2012)
TUR	Turkey	Rüşdü Saracoğlu (Jul. 1987), Nihat Bülent Gültekin (Sep. 1993), Yaman Törüner (Feb. 1994), Süleyman Gazi Erçel (Apr. 1996), Süreyya Serdengeçti (Mar. 2001), Durmus Yilmaz (Apr. 2006), Erdem Başçı (Apr. 2011), Murat Çetinkaya (Apr. 2016)
UGA	Uganda	Suleiman Kiggundu (Dec. 1986), Charles Kikonyogo (May 1990), Emmanuel Tumusiime Mutebire (Dec. 2000)
UKR	Ukraine	Volodymyr S. Stelmakh (Jan. 2000), Sergei Tigipko (Dec. 2002), Volodymyr S. Stelmakh (Dec. 2004), Sergiy Arbuzov (Dec. 2010), Ivor Sorkin (Jan. 2013), Valeriia O. Gontareva (Jun. 2014), Yakiv Smolii (May 2017)
GBR	United Kingdom	Edward Alan John George (Jul. 1993), Mervyn Allister King (Jul. 2003), Mark Carney (Jul. 2013)
USA	United States	Alan Greenspan (Aug. 1987), Ben Bernanke (Feb. 2006), Janet Yellen (Feb. 2014), Jerome Powell (Feb. 2018)
URY	Uruguay	Ramón P. Diaz (Apr. 1990), Enrique Braga (Oct. 1993), Ricardo Pascale (Apr. 1995), Humberto Capote (Apr. 1996), César Rodríguez (Apr. 2000), Julio de Brun (Jul. 2002), Walter Cancela (Mar. 2005), Mario Bergara Duque (Nov. 2008), Alberto Graña (Jan. 2014), Mario Bergara Duque (Nov. 2015), Alberto Graña (Nov. 2018), Diego Labat (Mar. 2020)
VEN	Venezuela	Antonio Casas Gonzalez (Apr. 1994), Diego Luis Castellanos (Jan. 2000), Gastón Parra Luzardo (Jan. 2005), Nelson José Merentes Diaz (Apr. 2009), Edmée Betancourt (Apr. 2013), Eudomar Tovar (Aug. 2013), Nelson José Merentes Diaz (Dec. 2014), Ricardo Sanguino (Jan. 2017), Ramon Augusto Lobo Moreno (Nov. 2017), Calixto Ortega Sánchez (Jun. 2018)

Table OA2: Governor appointments and de jure CBI: Alternative de jure CBI indexes

Dependent variable:	(1)	(2)	(3)	(4)
	GI			
CWN	-0.138 [-1.081]	0.036 [0.217]		
GMT			-0.105 [-0.800]	-0.005 [-0.024]
Government stability		-0.007 [-0.524]		-0.006 [-0.495]
Early replacement		0.030 [0.484]		0.031 [0.503]
IMF program		0.471*** [3.578]		0.470*** [3.648]
PhD degree		0.106 [1.395]		0.105 [1.385]
Advanced related degree		0.122 [1.623]		0.125 [1.649]
Central bank (top position)		0.138*** [2.700]		0.138*** [2.708]
International organization		0.092 [1.412]		0.093 [1.455]
Academic institution		-0.049 [-0.817]		-0.049 [-0.805]
Financial sector		0.042 [0.687]		0.043 [0.702]
Government advisory body		0.032 [0.438]		0.035 [0.481]
Country FE		YES		YES
Observations	251	222	251	222
R-squared	0.008	0.468	0.004	0.468

Note: This table presents estimates of the effect of de jure CBI on governor appointments based on the model in Eqn. 2 and alternative indexes of de jure CBI. All columns report results using the GI index as the dependent variable. Columns (1) and (2) include the CWN index as the alternative indicator of de jure CBI, and columns (3) and (4) include the GMT index. Robust standard errors are clustered at the country level. *t*-statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA3: Principal component analysis of the GI index

Sub-criteria	Loadings
<b>C1. Executive ties</b>	
C1.1. The latest position of the appointee is in the executive branch of the government	0.427
C1.2. The appointee has a prior link to the ruling political party/parties via any of the following: prior electoral mandate, publicly known partisan relationship/friendship	0.564
C1.3. The appointee has a prior link to the ruling political party/parties via family ties (up to third-degree family members)	0.199
<b>C2. Press</b>	
C2.1. The international (English-speaking) press explicitly reports the appointment as “political”	0.532
<b>C3. Experts</b>	
C3.1. The majority of academics surveyed indicates that the appointment is “political”	0.421

Note: This table presents the loadings from the first principal component of the GI index. For each criterion, responses can be either ‘YES’ or ‘NO’. We assign a code of 1 to the answer indicating higher independence. Therefore, in our coding system, a higher score consistently represents greater independence. The higher the absolute value of the loading, the more the original variable contributes to the component. The PCA loadings indicate several key factors associated with central bank governor independence: lacking executive ties (C1.1 and C1.3), media perception (C2.1), and survey responses (C3.1).

Table OA4: Governor appointments and de jure CBI: Sub-sample analysis

	(1)	(2)	(3)
Dependent variable:	GI		
Sample:	Developed countries	Developing countries	Non-EZ countries
De jure CBI	0.141 [0.508]	-0.311 [-0.928]	0.111 [0.505]
Government stability	-0.008 [-0.392]	-0.005 [-0.243]	-0.004 [-0.251]
Early replacement	0.073 [0.879]	-0.028 [-0.320]	-0.009 [-0.153]
IMF program		0.507*** [3.095]	0.498*** [3.668]
PhD degree	0.100 [1.291]	0.123 [0.864]	0.162* [1.807]
Advanced related degree	0.013 [0.118]	0.206* [1.980]	0.120 [1.471]
Central bank (top position)	0.183** [2.533]	0.120 [1.393]	0.179*** [2.900]
International organization	0.123 [1.326]	0.033 [0.431]	0.088 [1.272]
Academic insitution	0.041 [0.487]	-0.123 [-1.460]	-0.084 [-1.354]
Financial sector	0.103 [0.889]	-0.022 [-0.346]	0.072 [1.246]
Government advisory body	-0.029 [-0.263]	0.152 [1.627]	0.063 [0.897]
Country FE	YES	YES	YES
Observations	115	107	181
R-squared	0.453	0.529	0.524

Note: This table presents estimates of the effect of de jure CBI on governor appointments based on model in Eqn. 2. All columns report results using the GI index as dependent variables. Column (1) only includes “developed” countries as classified by the World Bank, while column (2) only includes “developing” countries as per the same classification. Column (3) excludes Euro-zone (EZ) countries. Robust standard errors are clustered at the country level.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table OA5: Governor appointments, de jure CBI, and populism

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dependent variable:	GI						
Populism	-0.157 [-1.522]	-0.180* [-1.810]	-0.187** [-2.188]	-0.174** [-2.176]			
De Jure CBI		-0.083 [-0.570]	-0.186 [-1.215]	0.110 [0.520]	0.059 [0.295]	0.118 [0.555]	0.116 [0.545]
Populism left					-0.087 [-0.660]		-0.133 [-1.054]
Populism right						-0.175** [-2.087]	-0.189** [-2.189]
Government stability			-0.003 [-0.223]	-0.004 [-0.317]	-0.006 [-0.488]	-0.005 [-0.400]	-0.004 [-0.324]
Early replacement			0.044 [0.662]	0.037 [0.632]	0.033 [0.549]	0.029 [0.488]	0.035 [0.605]
IMF program			0.062 [1.078]	0.397*** [4.395]	0.467*** [3.607]	0.403*** [4.170]	0.393*** [4.378]
PhD degree			0.075 [1.105]	0.089 [1.273]	0.100 [1.388]	0.100 [1.352]	0.091 [1.305]
Advanced related degree			0.108 [1.367]	0.127 [1.608]	0.123 [1.587]	0.122 [1.581]	0.126 [1.579]
Central bank (top position)			0.119** [2.267]	0.143*** [2.786]	0.135** [2.555]	0.149*** [2.867]	0.145*** [2.716]
International organization			0.101* [1.823]	0.084 [1.328]	0.095 [1.475]	0.077 [1.220]	0.081 [1.292]
Academic insitution			-0.024 [-0.381]	-0.050 [-0.827]	-0.047 [-0.783]	-0.054 [-0.909]	-0.051 [-0.858]
Financial sector			0.008 [0.151]	0.050 [0.822]	0.045 [0.744]	0.041 [0.689]	0.048 [0.795]
Government advisory body			-0.012 [-0.164]	0.035 [0.474]	0.029 [0.396]	0.038 [0.509]	0.037 [0.488]
Country FE				YES	YES	YES	YES
Observations	274	251	223	222	222	222	222
R-squared	0.024	0.037	0.154	0.482	0.469	0.480	0.482

Note: This table presents estimates of the effects of de jure CBI and populism on governor appointments based on model in Eqn. 2. All columns report results using the GI index as the dependent variable. The dummy variable Populism is from Lambert and Pan (2025) and takes the value of 1 if the country is, at the time of the governor's appointment, led by a populist leader, and 0 otherwise. Political leaders are classified as "populist" following the methodology of Funke et al. (2023), that is, if their discourse consistently emphasizes a conflict between a "privileged elite" and the "common people," with anti-elite and people-centric rhetoric being central to their campaigns or tenure. Populist leaders are further categorized as left-wing when their anti-elitism primarily centers on economic issues, and as right-wing when their anti-elitism primarily stems from cultural issues (see Funke et al., 2023, for more details). Robust standard errors are clustered at the country level.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA6: Main legislative reforms

	Policy	Objectives	Lending	Finance	Accountability
Bolivia	1995	1995	1995		1995
Bulgaria			1997	1997	1997
Chile	1989	1989		1989	
Costa Rica	1995				
Cyprus	2002	2002	2002	2002	2002
Czech Republic			2000		2000
Denmark					2005
Finland	1998	1998	1998	1998	1998
France	1993	1993	1993		1993
Greece			1994		1994
Hungary	2001	2001	2001	2001	2001
India		2016			
Korea, Rep.	1998	1998			
Lithuania				1996	
Luxembourg	1998	1998		1998	
Peru		1992	1992	1992	1992
Mexico	2010				
Norway	1985				
Philippines		1993	1993		
Russian Federation				2002	
South Africa	1989	1989			
Sri Lanka		2006			
Turkey	2001	2001	1994		2001
United Kingdom	1998				
Uruguay	1995	1995	1995	1995	

Note: This table reports the year for the sample countries having undertaken a significant change to their central bank legislation, with reforms in the form of complete changes of statutes or reprints of central bank charters, and legislative amendments. The years reported are the most significant changes per country over the sample period for the subcategory of the ROM index (specified in the column label). If a sample country is not reported, it means that the changes to its central bank legislation, if any, are not significant enough (“significant” is defined as a positive change of approximately 2 standard deviations of the (sub)index sample mean).

Table OA7: Governor appointments, main policy reforms, and IMF programs

Dependent variable:	(1)	(2)
	GI	
De jure CBI governance	0.269 [1.327]	0.197 [0.945]
Main policy reform	0.747*** [11.340]	0.226 [0.866]
De jure CBI governance x Main policy reform	-1.679*** [-29.495]	-0.960** [-2.450]
Government stability	-0.002 [-0.150]	-0.003 [-0.226]
Early replacement	0.037 [0.627]	0.026 [0.427]
IMF program	-3.621*** [-2.755]	-4.856* [-1.950]
De jure CBI x IMF program	6.003*** [3.063]	7.934** [2.124]
PhD degree		0.095 [1.205]
Advanced related degree		0.119 [1.513]
Central bank (top position)		0.143*** [2.737]
International organization		0.101 [1.509]
Academic insitution		-0.045 [-0.708]
Financial sector		0.046 [0.744]
Government advisory body		0.016 [0.211]
Country FE	YES	YES
Observations	226	222
R-squared	0.407	0.483

Note: This table presents estimates of the effect of de jure CBI (governance component) following main policy reforms on governor appointments based on the model in Eqn. 3. Columns (1) and (2) report results using the GI index as the dependent variable. Robust standard errors are clustered at the country level.  $t$ -statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table OA8: Governor appointments, de jure CBI (governance), and other legislative reforms

Dependent variable:	(1)	(2)	(3)	(4)
	GI			
De jure CBI governance	-0.020 [-0.095]	0.130 [0.600]	0.124 [0.594]	0.114 [0.526]
Main objectives reform	-0.424 [-1.512]			
De jure CBI governance × Main objectives reform	0.294 [0.663]			
Main lending reform		0.410 [1.015]		
De jure CBI governance × Main lending reform		-0.905* [-1.874]		
Main finance reform			0.579** [2.064]	
De jure CBI governance × Main finance reform			-1.520*** [-3.277]	
Main accounting reform				0.635* [1.836]
De jure CBI governance × Main accountability reform				-1.008** [-2.013]
Government stability	-0.008 [-0.565]	-0.007 [-0.546]	-0.006 [-0.472]	-0.010 [-0.697]
Early replacement	0.030 [0.512]	0.033 [0.530]	0.026 [0.438]	0.030 [0.478]
IMF program	0.473*** [3.408]	0.469*** [3.500]	0.486*** [3.594]	0.467*** [3.428]
EU accession	-0.687** [-2.514]	-0.603** [-2.034]	-0.623** [-2.032]	-0.606** [-2.036]
De jure CBI × EU accession	1.384*** [3.980]	1.229*** [3.006]	1.363*** [3.176]	1.213*** [3.002]
PhD degree	0.125 [1.625]	0.125 [1.591]	0.101 [1.278]	0.124 [1.604]
Advanced related degree	0.119 [1.587]	0.103 [1.328]	0.119 [1.583]	0.106 [1.390]
Central bank (top position)	0.155*** [2.947]	0.156*** [3.015]	0.143*** [2.755]	0.149*** [2.816]
International organization	0.078 [1.195]	0.091 [1.473]	0.110* [1.680]	0.088 [1.392]
Academic institution	-0.073 [-1.189]	-0.067 [-1.065]	-0.059 [-0.949]	-0.069 [-1.103]
Financial sector	0.044 [0.753]	0.045 [0.763]	0.051 [0.870]	0.054 [0.904]
Government advisory body	0.038 [0.516]	0.052 [0.777]	0.026 [0.357]	0.046 [0.682]
Country FE	YES	YES	YES	YES
Observations	221	222	222	222
R-squared	0.500	0.502	0.505	0.496

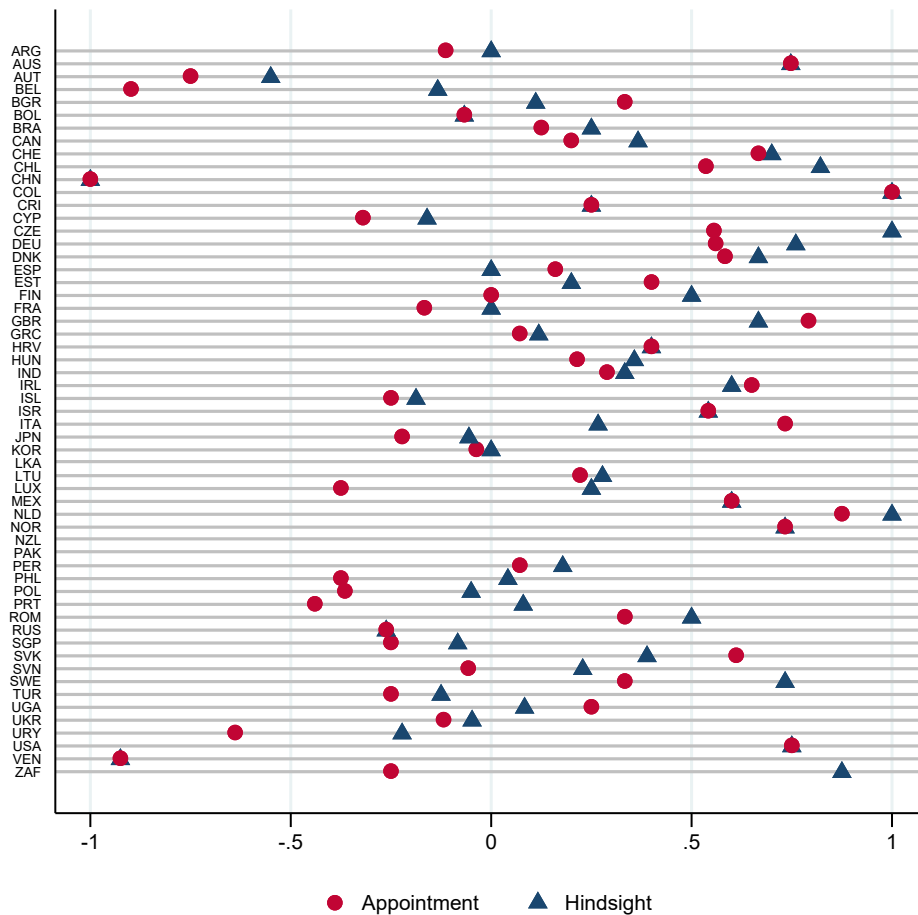
Note: This table presents estimates of the effect of de jure CBI (governance component) following main “legislative” reforms on governor appointments based on the model in Eqn. 3. In all columns, the GI index is used as dependent variable. Each column mirrors column (4) of Table 7, using the type of legislative reform indicated in the variable label and the subcategories defined in Romelli (2022, 2024). Table OA6 summarizes the reform years for each type of reform per country. Robust standard errors are clustered at the country level. *t*-statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Table OA9: Experts' hindsight opinion and governor appointments: Alternative definition of the GI index

	(1)	(2)	(3)
Dependent variable:	Experts (hindsight)		
GI (excluding "Experts")	0.294*** [5.486]	0.274*** [4.929]	0.224*** [4.825]
Government stability		0.013 [1.208]	0.012 [1.185]
Early replacement		-0.043 [-1.125]	-0.023 [-0.752]
IMF program		0.320*** [6.755]	0.353*** [4.745]
PhD degree		0.178*** [3.184]	0.038 [0.870]
Advanced related degree		0.018 [0.364]	0.083* [1.822]
Central bank (top position)		0.037 [0.888]	-0.007 [-0.238]
International organization		0.030 [0.624]	-0.001 [-0.016]
Academic insitution		-0.031 [-0.697]	0.034 [0.905]
Financial sector		0.016 [0.334]	0.035 [0.746]
Government advisory body		0.060 [0.997]	0.035 [0.795]
Country FE			YES
Observations	274	241	239
R-squared	0.149	0.279	0.653

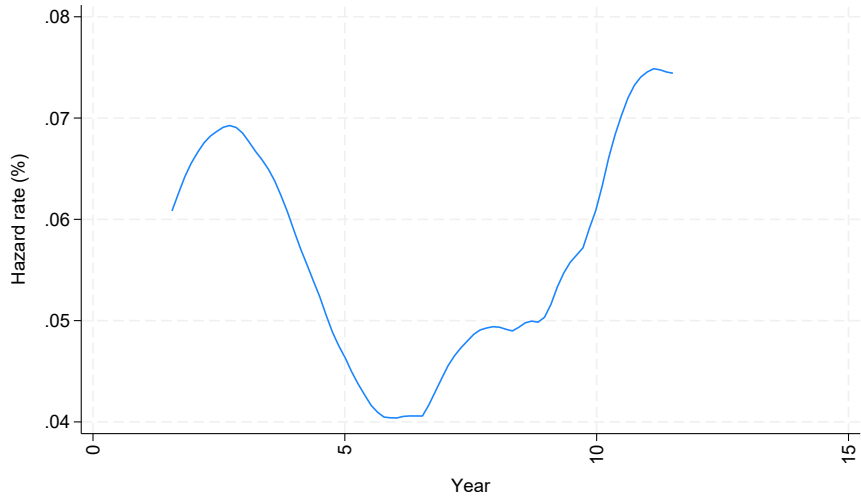
Note: This table presents estimates of the effect of governor appointments on experts' hindsight opinion based on a version of the model in Eqn. 2. All columns report results using Experts (hindsight) as dependent variable. The main independent variable of interest is GI, from which the "Experts" criterion has been excluded. Robust standard errors are clustered at the country level. *t*-statistics are in brackets. The Appendix Table A1 provides variable definitions and sources. \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10% levels, respectively.

Figure OA1: Visualisation of criterion “Experts” of the GI index

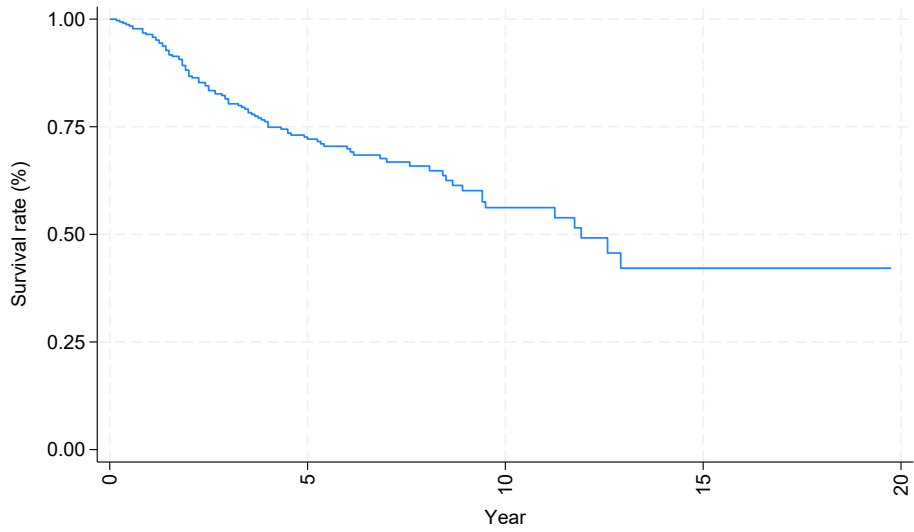


Note: This figure shows data aggregated at the country level and compares cross-country patterns for the criterion “Experts” of the GI index. The survey includes two questions inquiring about: (1) political independence during the appointment event; and (2) political independence during the whole term in office. Higher (positive) values reflect political independence and vice versa. For instance, in China (CHN) the experts indicate significant political interference during the appointment and the term in office. In Belgium (BEL) the experts suggest political intervention for the appointment of governors, but less so while in office.

Figure OA2: Non-parametrically estimated survivor functions



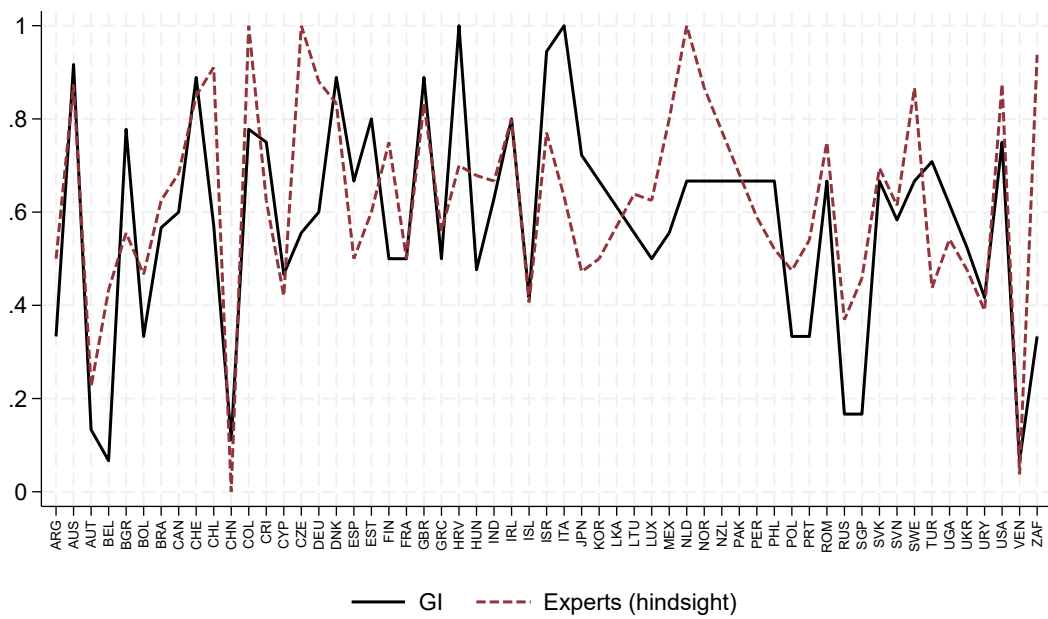
(A) Hazard ratio



(B) Kaplan-Meier survival curve

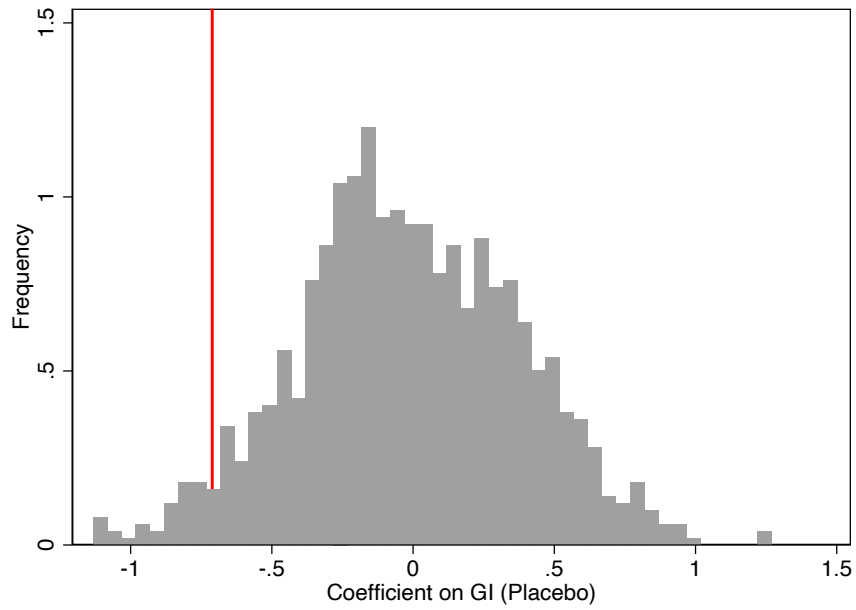
Note: This figure shows in Panel A the smoothed hazard estimate, while Panel B shows the Kaplan-Meier survival estimate with respect to time.

Figure OA3: Experts' hindsight opinion and governor appointments: cross-country plot

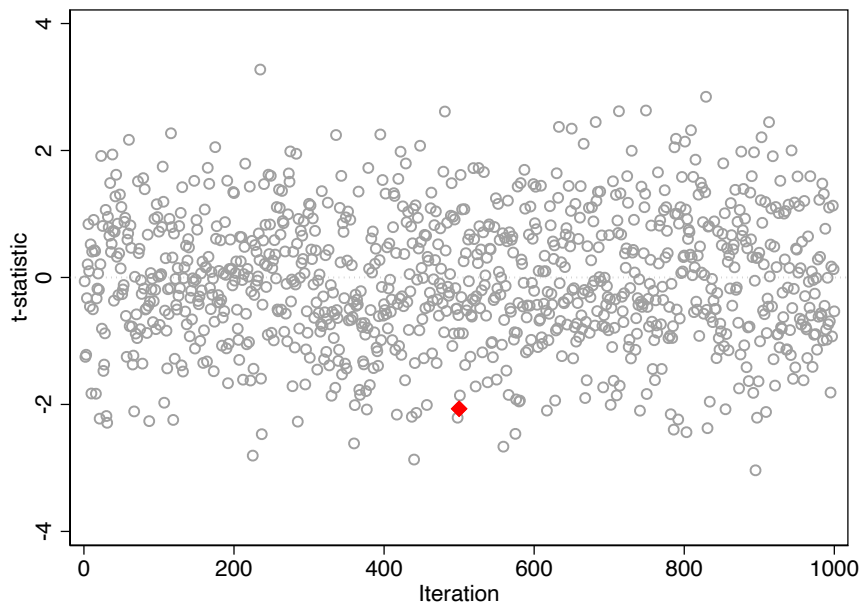


Note: This figure shows the mean value of GI index (black line) and the Experts (hindsight) variable (maroon dashed line) across countries.

Figure OA4: Randomization test



(A) Generated distribution of estimates



(B) Iteration of  $t$ -statistics

Note: This figure shows the distribution of estimates of GI on inflation (Panel A) and  $t$ -statistics (Panel B) using the specification in column (1) of Table 9 for 1,000 iterations with randomized GI values. Each panel also highlights (in red) the actual  $t$ -statistic and coefficient. Appendix A provides variable definitions and data sources.

## B Illustrative Examples in the Press

### B.1 Examples of non-political appointments

#### Blejer, Argentina, 2002

- “Argentina’s central bank chief, criticized for his handling of government banking curbs, resigned on Thursday and was replaced by his deputy, Mario Blejer, a respected banker.” (*“Argentina central bank head quits, replaced by Blejer”, Reuters, 17 January, 2002.*)
- “Argentina’s central-bank president, Roque Maccarone, resigned unexpectedly after being hit with heavy criticism that he hadn’t done enough to ease a partial freeze on bank accounts. He was immediately replaced by Mario Blejer, a respected, University of Chicago-trained economist who has worked for the International Monetary Fund in Washington.” (*“Argentina gets a new central-bank chief — Blejer, respected economist, should aid confidence domestically and abroad”, The Wall Street Journal, 18 January, 2002.*)
- “I am absolutely certain that we can prevent hyperinflation,” said Mr Blejer in his first interview since being appointed 10 days ago. “I will definitely not compromise certain principles.” (*“Argentine bank chief vows to curb printing of money”, The Financial Times, 28 January, 2002.*)

#### Rojo, Spain, 1992

- “The appointment of Luis Angel Rojo as Bank of Spain governor is a clear sign the authorities are opting for continuity and stability at a time when a worsening economy is affecting confidence in the country, analysts said. [...] Rojo, a technocrat who joined the central bank in 1971 as head of studies, is widely viewed as the architect behind much of the Bank of Spain’s strict monetarist policy in recent years. A discreet but well respected figure behind the scenes, Rojo has rarely ventured into the public eye [...]” (*“Spain opts for continuity with new bank governor”, Reuters News, 30 June 1992.*)

#### Papademos, Greece, 1994

- “New Greek central bank governor Lucas Papademos is a quiet and highly respected technocrat who has served as an economic advisor and then deputy governor at the Bank of Greece over the past decade. [...] He is known as a soft-spoken, hard-working technocrat who is also well respected among European bankers but it remains to be seen whether, as governor, he can stand up to pressures from the Greek government and push the central bank towards independence.” (*“New Greek central bank governor a quiet technocrat”, Reuters News, 14 October 1994.*)

#### Gudmundsson, Iceland, 2009

- “Today, Iceland remains mired in a severe recession, with inflation running slightly above 12 per cent and the krona unloved and unwanted. The International Monetary Fund has opposed interest rate cuts because of further risks to the battered currency and worries about inflation. And now, the ball has been tossed to Mr. Gudmundsson, who brings impeccable credentials to one of the toughest jobs in global public finance.” (*“He has one tough job governor’s options limited in righting fiscal ship; Meet Mar Gudmundsson, the next governor of Iceland’s central bank”, The Globe and Mail, 30 June 2009.*)

### **Fischer, Israel, 2005**

- “There is some optimism over Fischer, Mizrahi said. [...] It is probably a good choice. [...] The shekel moved enough to suggest this is a positive reaction to the news, Lubin said. [...] He (Fischer) knows more about monetary policy than almost anyone on the planet and there’s a greater chance he will be listened to on issues to do with the budget and structural reforms than has been the case of his predecessors, he said.” (*“Israel shekel gains vs dollar on Fischer central bank news”, Reuters News, 10 January 2005.*)
- “Economists and market analysts agree that Fischer is a world class economist.” (*“Israel hopes Fischer can boost inward investment.”, Reuters News, 10 January 2005.*)

### **Cho Soon, Korea, 1992**

- “Bank officials are also hopeful that Mr. Cho’s appointment to the post will help enhance the status of the central bank, making it less prone to political influence. The nation’s central bank has been derisively called a branch of the Finance Ministry as the bank’s role has focused on backing up government policy. In 1988, when he was a professor at Seoul National University and central bank officials demanded the bank’s independence from the government policy, Mr. Cho sided with bank officials by emphasizing in a major daily newspaper that the central bank should be autonomous.” (*“Bank of Korea Names Governor”, The Asian Wall Street Journal, 26 March 1992.*)

### **Stals, South Africa, 1989**

- “Stals, a strong proponent of market-oriented policies, spent 30 years in the Reserve Bank before being appointed Director-General of the Finance Ministry in 1985. [...] Stals has wide experience of debt negotiation, and continues to play a key role in South Africa’s delicate rescheduling talks with creditor banks.” (*“South Africa short-term debt burden easing”, Reuters News, 27 July 1989.*)

## **B.2 Examples of political appointments**

### **Caputo, Argentina, 2018**

- “Mr Sturzenegger’s replacement with Mr Caputo has prompted some critics to question the government’s commitment to strengthening the central bank’s independence as part of an agreement with the International Monetary Fund announced last week, which includes a 50bn dollar bailout.” (*“Argentina’s finance minister picked to lead central bank”, The Financial Times, 15 June 2018.*)

### **Klauhs, Austria, 1988**

- “He was chosen as the compromise candidate after six months of negotiations between the two main political parties on who should succeed the bank’s former president, Mr Stephan Koren, who died last January (1987). [...] The delay in reaching agreement stems from the “proporz” system, seen by many Austrians as an outdated form of patronage, in which the top jobs are equally divided between the Socialists, or “reds,” and the People’s Party, or “blacks.” (*“Central bank head appointed in Austria”, The Financial Times, 12 July 1988.*)

### **Ordenez, Spain, 2006**

- “The possible naming of Fernandez Ordenez as Bank of Spain governor sparked controversy because many view his close government ties as inappropriate for the central bank’s tradition of independence.” (*“Spain government to discuss central bank chief appointment in June”, Dow Jones International News, 29 May 2006.*)
- “But the conservative Popular Party, which leads Spain’s opposition, is opposed to Fernandez-Ordenez because of his close links to the ruling Socialists. The bank’s governor has usually been an independent person with the backing of both major political parties.” (*“Spain to name new central bank head after June 10”, Reuters News, 29 May 2006.*)
- “Known by his initials ”MAFO”, he was opposed by the conservative opposition Popular Party on grounds he was deeply linked to the ruling Socialists and too partisan to take on a post traditionally held by an independent figure.” (*“Bank of Spain chief seen backing gradual ECB hikes”, Reuters News, 12 July 2006.*)

### **Provopoulos, Greece, 2008**

- “He is known to have close ties to the center-right New Democracy government [...].” (*“Bank of Greece nominates Provopoulos as new governor”, Dow Jones International News, 30 May 2008.*)

### **Oddsson, Iceland, 2005**

- “Oddsson dominated Icelandic politics when he was prime minister between 1991 and 2004, carrying out a raft of economic reforms.” (*“Former Icelandic PM Oddsson to head central bank”, Reuters News, 7 September 2005.*)
- “Oddsson may find himself under pressure from his implied involvement in allegations against industry giant Baugur, which has turned into a media circus.” (*“Cabinet Stalwart bows out, prompts reshuffle in Iceland”, Global Insight Daily Analysis, 28 September 2005.*)

### **Park, Korea, 2002**

- “Chairman of the Public Fund Overseeing Committee, Park has served in key government posts including as construction minister and top presidential economic adviser.” (*“South Korean reforms finance boss to head central bank.”, Reuters News, 19 March 2002.*)