

Bank Indonesia and the Evolution of Hybrid Constitutional Central Banking: A Comparative Perspective

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Abstract

The constitutional status of central banks raises a fundamental tension between monetary-policy independence and democratic accountability, particularly in emerging constitutional democracies undergoing institutional reform. This article examines how Indonesia's constitutional and statutory framework structures the independence and accountability of Bank Indonesia and compares its institutional design with the European Central Bank, the Federal Reserve System, and the Bank of England. Using doctrinal legal research and a functional comparative constitutional approach, the analysis focuses on constitutional entrenchment, statutory delegation, and accountability mechanisms. It examines Article 23D of the 1945 Constitution, the Bank Indonesia Law, the financial-sector reforms introduced by Law No. 4 of 2023, and their latest recalibration under Law No. 4 of 2026. The findings show that Bank Indonesia combines constitutional recognition with statutorily structured operational autonomy, an expanded monetary and macroprudential mandate, inter-institutional financial-stability coordination, and increasingly structured parliamentary accountability. Unlike the treaty-entrenched European Central Bank and the predominantly statute-based Federal Reserve and Bank of England, Bank Indonesia occupies an intermediate constitutional position. The article conceptualises this arrangement as Hybrid Constitutional Central Banking, in which constitutional entrenchment, legislative adaptability, operational independence, and democratic accountability coexist. The post-2026 framework further demonstrates that the central constitutional challenge is not whether Bank Indonesia remains formally independent, but how accountability and coordination can be strengthened without permitting political interference in monetary judgment.

Keywords: Bank Indonesia; Central Bank Independence; Comparative Constitutional Law; Democratic Accountability; Hybrid Constitutional Central Banking.

1. Introduction

In modern constitutional systems, central banks occupy a distinctive institutional position situated at the intersection between economic policymaking and the constitutional structure of state power. The evolution of central bank independence reflects a broader transformation in monetary governance, shifting central banks from instruments of executive government policy into public institutions endowed with varying degrees of constitutional protection. This institutional transition signifies the recognition that monetary stability requires insulation from short-term political interests while maintaining democratic accountability within constitutional governance frameworks.¹

Since the late twentieth century, a new global paradigm has emerged that conceptualizes central banks as independent authorities designed to safeguard monetary policy from fiscal and political pressures exerted by governments. The rapid diffusion of this model was strongly influenced by recurring international financial crises, which exposed the vulnerability of politically controlled monetary regimes. In particular, the Asian Financial

¹ Charles A. E. Goodhart, *The Evolution of Central Banks* (Cambridge, MA: MIT Press, 1988), 1–5; Rosa M. Lastra, *International Financial and Monetary Law*, 2nd ed. (Oxford: Oxford University Press, 2015), 19–24, 30–33.

Crisis of 1997–1998 constituted a critical turning point that prompted extensive institutional restructuring across affected economies, including fundamental reforms in Indonesia’s financial and banking sectors aimed at strengthening monetary credibility and institutional autonomy.²

In Indonesia, this paradigmatic shift in the constitutional and institutional status of the central bank unfolded during the post-authoritarian Reformasi period and culminated in the constitutional recognition of a central bank under Article 23D of the 1945 Constitution, introduced through the Third Amendment in 2001. Article 23D provides that the State shall have a central bank whose structure, composition, authority, responsibilities, and independence are to be regulated by law.³ This constitutional formulation establishes the existence of the central bank at the constitutional level while leaving the institutional design and operational content of its independence to statutory regulation.

Despite the extensive body of literature addressing central bank independence from economic and monetary perspectives, relatively limited scholarly attention has been devoted to examining the constitutional positioning of central banks as state institutions within differing constitutional architectures. Existing studies predominantly conceptualize central bank independence as a technocratic mechanism aimed at ensuring price stability and policy credibility, while legal scholarship has tended to focus on statutory autonomy rather than constitutional entrenchment. Consequently, insufficient analysis has been undertaken regarding how constitutional design shapes the institutional legitimacy, accountability structure, and democratic embedding of central banks.

This gap becomes particularly significant in emerging constitutional democracies such as Indonesia, where central bank independence is not merely a policy choice but a constitutionally recognized institutional arrangement following post-crisis reforms. Comparative constitutional analysis between Indonesia and established monetary jurisdictions remains underdeveloped, especially concerning how constitutional norms reconcile institutional independence with democratic oversight. A comparative constitutional perspective is essential to understanding the evolving institutional character of central banks. Accordingly, this article seeks to bridge the intersection between constitutional law and international banking governance by examining the constitutional and institutional positioning of central banks across selected jurisdictions.

Central banks have emerged as among the most powerful unelected institutions within modern constitutional democracies. Entrusted with authority over monetary stability, financial markets, and systemic crisis management, they exercise far-reaching public power while remaining institutionally insulated from electoral politics. This institutional arrangement generates a fundamental constitutional dilemma: how can democratic systems legitimately delegate economic sovereignty to independent monetary authorities without undermining constitutional accountability?

While extensive scholarship has examined central bank independence in advanced economies, considerably less attention has been devoted to how emerging constitutional democracies institutionalize monetary authority within evolving constitutional frameworks. Indonesia presents a particularly significant case. Following democratic constitutional reform, the constitutional recognition of an independent central bank

² Alex Cukierman, “Central Bank Independence and Monetary Policymaking Institutions—Past, Present and Future,” *European Journal of Political Economy* 24, no. 4 (2008): 722–736, <https://doi.org/10.1016/j.ejpoleco.2008.07.007>.

³ Constitution of the Republic of Indonesia of 1945, art. 23D; Secretariat General of the House of Representatives of the Republic of Indonesia, *The 1945 Constitution of the Republic of Indonesia: Consolidated Text*, art. 23D.

transformed monetary governance from executive policy instrument into constitutionally embedded authority. Yet recent financial sector reforms have simultaneously intensified institutional coordination, raising renewed questions concerning the limits and legitimacy of central bank independence. This article argues that Indonesia represents an emerging model of Hybrid Constitutional Central Banking, reconciling independence and accountability through constitutional embedding rather than institutional insulation.

This article argues that Indonesia represents an emerging model of Hybrid Constitutional Central Banking, reconciling independence and accountability through constitutional embedding rather than institutional insulation. Against this background, this article addresses the following research question: how does Indonesia's constitutional and statutory framework structure the independence and democratic accountability of Bank Indonesia, and how does this model compare with the European Central Bank, the Federal Reserve System, and the Bank of England? The objective of this study is to examine the constitutional and institutional foundations of Bank Indonesia's independence, assess the implications of recent financial-sector reforms for its autonomy and accountability, and identify the distinctive features of Indonesia's emerging Hybrid Constitutional Central Banking model.

2. Method

Type of Research

This article employs normative or doctrinal legal research using statutory, conceptual, and comparative constitutional approaches. Doctrinal legal research is used to identify, interpret, and systematise legal rules, principles, and institutional arrangements governing central bank independence and accountability. The analysis is directed not toward empirical measurement, but toward the interpretation and evaluation of constitutional provisions, legislation, institutional arrangements, and their normative coherence within central banking governance.⁴

Research Location

This research is library-based legal research conducted through documentary and literature review. The object of analysis is centred on Indonesia's constitutional and legislative framework concerning Bank Indonesia, complemented by comparative legal materials relating to the European Central Bank, the Federal Reserve System, and the Bank of England. Accordingly, the research location is not defined as a field site, but as a legal research setting based on the examination of authoritative legal texts, official institutional documents, and scholarly works relevant to central banking law and constitutional governance.

Sources of Legal Materials

The legal materials consist of primary and secondary sources. Primary legal materials were selected on the basis of their direct relevance to four analytical dimensions: the legal foundation of central bank independence, the scope of institutional and functional autonomy, accountability mechanisms, and inter-institutional coordination in monetary and financial-stability governance.

For Indonesia, the principal sources include Article 23D of the 1945 Constitution of the Republic of Indonesia; Articles 4, 7, 8, 9, and 58 of Law No. 23 of 1999 concerning Bank

⁴ Terry Hutchinson and Nigel Duncan, "Defining and Describing What We Do: Doctrinal Legal Research," *Deakin Law Review* 17, no. 1 (2012): 83–119. <https://doi.org/10.21153/dlr2012vol17no1art70>.

Indonesia, as subsequently amended, including by Law No. 4 of 2023 on Financial Sector Development and Strengthening and Law No. 4 of 2026 amending Law No. 4 of 2023; and the relevant provisions governing the Financial System Stability Committee under Law No. 9 of 2016, as amended. For comparative jurisdictions, the principal legal materials include Articles 127 and 130 of the Treaty on the Functioning of the European Union and the relevant provisions of the Statute of the ESCB and the ECB; Sections 2A and 2B of the Federal Reserve Act; and Sections 11, 12, and 19 of the Bank of England Act 1998.

Secondary materials comprise peer-reviewed journal articles, scholarly monographs, and authoritative institutional publications concerning central bank independence, constitutional entrenchment, democratic accountability, and comparative monetary governance.

Data Collection Technique

Legal materials were collected through systematic documentary research. Primary documents were retrieved from official legal and institutional repositories, including Indonesian government legal databases, Bank Indonesia, European Union and European Central Bank sources, the Federal Reserve, and the United Kingdom legislation database. Each primary source was verified against its official publication status and, where relevant, its latest amendment.

Documents were included when they directly regulated or authoritatively explained at least one of the following issues: (i) the legal basis of the central bank; (ii) institutional or functional independence; (iii) monetary-policy objectives and powers; (iv) appointment, removal, reporting, or other accountability mechanisms; or (v) coordination in financial-system stability and crisis governance. Materials dealing only with general banking regulation, commercial banking supervision, or financial-sector matters without a direct bearing on central bank independence or accountability were excluded. Secondary sources were prioritised where they were peer-reviewed, doctrinally relevant, and directly connected to the analytical dimensions employed in the study.

To ensure a structured and methodologically coherent comparison, the comparative jurisdictions were selected on the basis of their distinct legal and institutional models of central bank independence and accountability. The European Central Bank, the Federal Reserve System, and the Bank of England were selected purposively because they represent three institutionally distinct models against which Indonesia's constitutional design can be tested. The ECB represents treaty-entrenched independence within a supranational constitutional framework; the Federal Reserve represents statutorily grounded independence within a presidential separation-of-powers system; and the Bank of England represents operational independence within a parliamentary-sovereignty framework. These jurisdictions were therefore selected not as models for transplantation, but as analytically contrasting cases that permit comparison of different degrees and sources of legal entrenchment, functional autonomy, democratic accountability, and institutional coordination.⁵ This selection follows a functional comparative approach in which jurisdictions are compared on the basis of equivalent institutional functions and common analytical criteria rather than formal institutional labels.⁶

⁵ P. Ishwara Bhat, "Comparative Method of Legal Research: Nature, Process, and Potentiality," in *Idea and Methods of Legal Research* (Oxford: Oxford University Press, 2020), 272–281, <https://doi.org/10.1093/oso/9780199493098.003.0009>.

⁶ Uwe Kischel, "The Comparative Method," in *Comparative Law*, trans. Andrew Hammel (Oxford: Oxford University Press, 2019), 89–95, <https://doi.org/10.1093/oso/9780198791355.003.0003>.

Data Analysis

The legal materials were analysed qualitatively through doctrinal interpretation and structured functional comparison. The Indonesian and comparative materials were first interpreted within their respective constitutional and statutory contexts and were then compared across common analytical dimensions: (i) source and degree of legal entrenchment; (ii) institutional and functional independence; (iii) mandate and policy objectives; (iv) democratic accountability, including appointment, removal, reporting, and legislative oversight; and (v) coordination in financial-system stability and crisis governance.

The comparison therefore does not seek formal equivalence between institutions, but examines how different legal systems perform the comparable constitutional function of insulating monetary decision-making from short-term political intervention while preserving public accountability. Convergences and divergences across the four jurisdictions are then used to evaluate the institutional position of Bank Indonesia and to test the proposed concept of Hybrid Constitutional Central Banking.⁷

For methodological transparency, Table 1 sets out the principal primary legal instruments and provisions examined in the study. They constitute the common legal basis for analysing central bank independence, accountability, mandate, and institutional coordination across the selected jurisdictions.

Table 1. Primary Legal Materials and Provisions Analysed

Jurisdiction	Primary Legal Instrument	Principal Provisions Analysed
Indonesia	1945 Constitution of the Republic of Indonesia	Art. 23D
Indonesia	Law No. 23 of 1999 concerning Bank Indonesia, as amended	Arts. 4, 7, 8, 9, 58
Indonesia	Law No. 4 of 2023 on Financial Sector Development and Strengthening, as amended by Law No. 4 of 2026	Provisions amending the Bank Indonesia Law and relevant financial-stability governance provisions
Indonesia	Law No. 9 of 2016 on Prevention and Resolution of Financial System Crises, as amended	KSSK-related provisions
European Union	Treaty on the Functioning of the European Union	Arts. 127, 130
United States	Federal Reserve Act	§§ 2A, 2B
United Kingdom	Bank of England Act 1998	ss 11, 12, 19

3. Analysis and Discussion

Constitutional Independence and Democratisation Accountability of Central Banks

The contemporary discourse on central bank independence is grounded in the broader theoretical debate concerning the relationship between technocratic governance and

⁷ Kischel, "The Comparative Method," 89–95; Bhat, "Comparative Method of Legal Research," 272–281.

democratic constitutionalism. Traditionally, monetary authority was exercised as an extension of executive economic policy, placing central banks firmly within governmental hierarchies. However, the late twentieth century witnessed a paradigmatic shift toward institutional arrangements designed to insulate monetary policymaking from short-term political cycles, particularly electoral pressures associated with fiscal expansion and inflationary bias.⁸

From a constitutional perspective, central bank independence raises a fundamental institutional question: how can unelected monetary authorities exercise significant public power while remaining compatible with democratic legitimacy? Scholars argue that independence does not imply institutional isolation but rather the creation of legally structured autonomy constrained by constitutional mandates and accountability mechanisms. In this sense, central banks represent what has been described as a form of “*non-majoritarian institution*”, namely public bodies entrusted with specialized regulatory authority insulated from direct political control in order to enhance policy credibility.⁹

The theoretical justification for such institutional autonomy is closely linked to the problem of *time inconsistency* in monetary policy. Governments facing electoral incentives may pursue expansionary monetary policies that generate short-term economic gains at the expense of long-term price stability. Delegation of monetary authority to independent central banks therefore functions as a constitutional commitment device designed to enhance credibility and constrain opportunistic political intervention.¹⁰

Nevertheless, constitutional theorists have increasingly emphasized that independence inevitably generates an accountability dilemma. As central banks exercise quasi-legislative and quasi-executive powers—such as interest rate determination, financial supervision, and crisis intervention—their expanding authority challenges classical doctrines of separation of powers. This development has led to the emergence of the concept of *democratic accountability of independent agencies*, whereby legitimacy derives not from electoral representation but from transparency, legal mandates, judicial review, and parliamentary oversight.¹¹

Comparative constitutional practice demonstrates that different jurisdictions resolve this tension through varying institutional designs. In Indonesia, central bank independence receives explicit constitutional acknowledgment under the 1945 Constitution of the Republic of Indonesia, reflecting post-crisis constitutional reform aimed at stabilizing monetary governance. By contrast, the autonomy of the European Central Bank is entrenched through supranational treaty provisions that prioritize price stability as a constitutional economic objective. The institutional framework of the Federal Reserve System relies primarily on statutory delegation combined with congressional oversight, whereas the Bank of England derives legitimacy from delegated independence embedded within parliamentary sovereignty traditions.

⁸ Goodhart, *The Evolution of Central Banks*, 3–7.

⁹ Giandomenico Majone, “From the Positive to the Regulatory State: Causes and Consequences of Changes in the Mode of Governance,” *Journal of Public Policy* 17, no. 2 (1997): 139–167, especially 152–154.

¹⁰ Robert J. Barro and David B. Gordon, “Rules, Discretion and Reputation in a Model of Monetary Policy,” *Journal of Monetary Economics* 12, no. 1 (1983): 101–121, [https://doi.org/10.1016/0304-3932\(83\)90051-X](https://doi.org/10.1016/0304-3932(83)90051-X); Cukierman, “Central Bank Independence and Monetary Policymaking Institutions,” 722–736.

¹¹ Alan S. Blinder, *The Quiet Revolution: Central Banking Goes Modern* (New Haven, CT: Yale University Press, 2004), 76–82.

Accordingly, this article adopts a constitutional-institutional approach that conceptualizes central bank independence not merely as an economic governance technique but as a constitutional design choice reflecting how modern states allocate public authority between democratic control and technocratic expertise. The analytical framework therefore evaluates central banks along two interrelated dimensions: (i) constitutional entrenchment of independence, and (ii) mechanisms of democratic accountability, enabling systematic comparison across jurisdictions.

The comparative analysis suggests that Indonesia represents neither a purely constitutionalized central bank model nor a fully statutory delegation model. Instead, Indonesia demonstrates what may be conceptualized as a *Hybrid Constitutional Central Bank Model*, combining constitutional recognition with statutory operational governance. The constitutional acknowledgment of central bank independence under the 1945 Constitution (*UUD 1945*) elevates monetary authority beyond ordinary executive institutions. Unlike the Federal Reserve System or the Bank of England—whose independence primarily derives from legislative delegation—Indonesia embeds the existence of an independent central bank within the constitutional order itself.

However, operational authority remains governed through statutory legislation and coordinated financial governance mechanisms involving the executive and legislative branches. This dual structure produces a hybrid institutional configuration characterized by:

- a. *Constitutional legitimacy*, ensuring insulation from political interference;
- b. *Statutory flexibility*, enabling policy adaptation; and
- c. *Democratic accountability*, exercised through parliamentary supervision and public reporting obligations.

In contrast to the treaty-entrenched autonomy of the European Central Bank, Indonesia's model reflects post-crisis constitutional reform aimed at restoring monetary credibility while preserving institutional coordination within national economic governance. This hybridization demonstrates that central bank independence in emerging constitutional democracies functions not as institutional separation, but as *constitutionally mediated autonomy*, balancing technocratic expertise with democratic legitimacy.¹²

The Constitutional and Institutional Position of Bank Indonesia

The constitutional position of Bank Indonesia is rooted in Article 23D of the 1945 Constitution, which requires the State to have a central bank and leaves its structure, authority, responsibilities, and independence to legislation.¹³ This constitutional design combines institutional entrenchment with statutory operationalisation. It is implemented principally through Law No. 23 of 1999 concerning Bank Indonesia, as amended, whose Article 4(2) establishes Bank Indonesia as an independent state institution free from governmental or external interference except where expressly provided by law.¹⁴ This configuration corresponds with contemporary understandings of central bank independence as a multidimensional legal arrangement rather than a binary condition. Recent comparative scholarship likewise measures independence through such variables

¹² Lastra, *International Financial and Monetary Law*, 63–68; Paul Tucker, *Unelected Power: The Quest for Legitimacy in Central Banking and the Regulatory State* (Princeton, NJ: Princeton University Press, 2018), 54–58.

¹³ Constitution of the Republic of Indonesia of 1945, art. 23D.

¹⁴ Republic of Indonesia, Law No. 23 of 1999 concerning Bank Indonesia, art. 4(2), as amended.

as institutional status, policy objectives, decision-making authority, personnel safeguards, and limits on governmental influence.¹⁵

Within this framework, Bank Indonesia's independence operates across four interrelated dimensions. *Institutional independence* is principally protected by Articles 4(2) and 9 against external interference; *functional independence* is reflected in Articles 7 and 8, which define its monetary, payment-system, and macroprudential functions; *personal independence* is supported by statutory safeguards concerning the appointment, tenure, and dismissal of members of the Board of Governors; and *financial independence* is reflected in Bank Indonesia's statutory authority over its financial management and annual budget, subject to the budgetary approval and reporting mechanisms prescribed by law.¹⁶ These dimensions indicate that independence is legally structured rather than absolute. This is consistent with recent central-bank literature, which emphasises that legal independence does not eliminate political or institutional constraints and must therefore be assessed together with accountability arrangements.¹⁷

The Constitutional Court further clarified this relationship in Decision No. 25/PUU-XII/2014. The Court held that the allocation of macroprudential and microprudential functions falls within the legislature's open legal policy, while reaffirming that central bank independence derives from Article 23D and protects the Bank from intervention in pursuing legally defined objectives.¹⁸ The decision therefore confirms that constitutional independence does not require institutionally fixed competences: the independent character of Bank Indonesia is constitutionally protected, while the distribution of its statutory functions may evolve through legislation.

That statutory flexibility became particularly important with Law No. 4 of 2023 on Financial Sector Development and Strengthening (PPSK Law). Article 9 retained Bank Indonesia's independent status while broadening its objectives under Article 7 to encompass rupiah stability, payment-system stability, and contribution to financial-system stability, and Article 8 expressly incorporated macroprudential policy among its core functions.¹⁹ The reform thus expanded Bank Indonesia's functional mandate while embedding it more deeply within an integrated financial-stability architecture. Indrawati's recent doctrinal analysis similarly concludes that the PPSK Law changed the degree of Bank Indonesia's institutional, functional, and organisational autonomy.²⁰

This development also reflects a wider shift in contemporary central banking from narrowly defined monetary authority toward broader macro-financial responsibilities. Comparative

¹⁵ Ana Carolina Garriga, "Revisiting Central Bank Independence in the World: An Extended Dataset," *International Studies Quarterly* 69, no. 2 (2025): sqaf024, <https://doi.org/10.1093/isq/sqaf024>; Tobias Adrian, Ashraf Khan, and Lev Menand, *A New Measure of Central Bank Independence*, IMF Working Paper No. 2024/035 (Washington, DC: International Monetary Fund, 2024), <https://doi.org/10.5089/9798400268410.001>.

¹⁶ Republic of Indonesia, Law No. 23 of 1999 concerning Bank Indonesia, art. 60(1)–(4), as amended; Republic of Indonesia, Law No. 4 of 2026 concerning the Amendment to Law No. 4 of 2023 on Financial Sector Development and Strengthening, arts. 60(4)–(8) and 60A(3).

¹⁷ Sylvester C. W. Eijffinger and Jakob de Haan, "Central Bank Independence and Accountability," *Journal of International Money and Finance* 166 (2026): 103595, <https://doi.org/10.1016/j.jimonfin.2026.103595>.

¹⁸ Constitutional Court of the Republic of Indonesia, Decision No. 25/PUU-XII/2014, 288, 291–292.

¹⁹ Republic of Indonesia, Law No. 4 of 2023 on Financial Sector Development and Strengthening, art. 9, amending arts. 4, 7, and 8 of Law No. 23 of 1999 concerning Bank Indonesia.

²⁰ Yuli Indrawati, "Independence of Bank Indonesia Post Law No. 4 of 2023 on Development and Strengthening of the Financial Sector," *Journal of Central Banking Law and Institutions* 4, no. 2 (2025): 203–226, especially 218–224, <https://doi.org/10.21098/jcli.v4i2.280>.

research shows that macroprudential powers are increasingly exercised through governance arrangements involving central banks, regulators, and governments, often requiring structured coordination rather than institutional separation.²¹ In Indonesia, this coordination is institutionalised through the Financial System Stability Committee (KSSK), which brings together the Ministry of Finance, Bank Indonesia, the Financial Services Authority, and the Deposit Insurance Corporation under the financial-crisis framework.²² Bank Indonesia's position is therefore better described as one of coordinated independence: autonomous monetary judgment is preserved, but exercised within a legally structured network of financial-stability governance.

The statutory framework was further recalibrated by Law No. 4 of 2026. The amended Article 7 retains Bank Indonesia's three stability objectives while linking their implementation more expressly to policies and a policy mix conducive to real-sector growth and employment creation.²³ This development is significant because mandate expansion generally increases institutional discretion and, correspondingly, the importance of accountability mechanisms—a relationship increasingly emphasised in recent central-bank scholarship.²⁴

Law No. 4 of 2026 also introduces additional institutional protection and parliamentary oversight. New Article 35E provides legal protection for Bank Indonesia's decision-makers when acting in good faith and in accordance with law, potentially reinforcing decisional autonomy in risk-bearing policy contexts.²⁵ At the same time, revised Article 60, new Article 60A, and Article 9A strengthen DPR involvement in budgetary and institutional accountability.²⁶ These reforms do not simply expand or diminish independence; rather, they recalibrate the relationship between legal protection, policy discretion, and democratic supervision.

Taken together, the 2023 and 2026 reforms produce a more institutionally embedded form of central bank independence. Bank Indonesia remains constitutionally protected under Article 23D and statutorily insulated from direct interference, while its mandate, legal protections, coordination duties, and parliamentary accountability have become more elaborate. This supports the characterisation of Indonesia as a Hybrid Constitutional Central Banking model, in which constitutional entrenchment, statutory adaptability, operational autonomy, and democratic accountability coexist within an integrated financial-governance framework. The central constitutional question is therefore not whether Bank Indonesia remains formally independent, but how legitimate accountability can be strengthened without crossing into impermissible political interference.

²¹ Soyoung Kim, Aaron Mehrotra, and Seri Shim, "Governance Arrangements and the Use of Macroprudential Policy," *Journal of International Money and Finance* 154 (2025): 103307, <https://doi.org/10.1016/j.jimonfin.2025.103307>.

²² Republic of Indonesia, Law No. 9 of 2016 concerning the Prevention and Resolution of Financial System Crises, as amended.

²³ Republic of Indonesia, Law No. 4 of 2026 concerning the Amendment to Law No. 4 of 2023 on Financial Sector Development and Strengthening, art. 7(2).

²⁴ Alicia Hinarejos and Drazen Rakic, "Independence, Discretion and Accountability in the Evolving Monetary Policy Framework of the European Central Bank," *Maastricht Journal of European and Comparative Law* 30, no. 4 (2023): 473–490, <https://doi.org/10.1177/1023263X231224728>.

²⁵ Republic of Indonesia, Law No. 4 of 2026, art. 35E.

²⁶ Republic of Indonesia, Law No. 4 of 2026, arts. 60(4)–(8), 60A(3), and 9A.

Comparative of Central Banks: Indonesia and Selected Jurisdictions

The comparison in this section is structured around three legal-institutional dimensions: constitutional entrenchment, statutory delegation, and accountability mechanisms. These dimensions permit a more systematic assessment of how central bank independence is legally constituted, operationalised, and democratically constrained across jurisdictions. The comparison does not assume that stronger legal insulation necessarily produces greater institutional legitimacy; rather, it examines how different constitutional systems allocate monetary authority while maintaining mechanisms of political and legal accountability. This approach is consistent with recent comparative scholarship showing that central-bank independence varies not only in degree but also in its legal source, institutional form, and accountability structure.²⁷

To ensure a systematic comparison, this section evaluates Bank Indonesia, the European Central Bank, the Federal Reserve, and the Bank of England across three common legal-institutional dimensions: constitutional entrenchment, statutory delegation, and accountability mechanisms. These dimensions are used to identify both convergences and divergences in the legal foundations, operational structure, and democratic control of central bank independence across the four jurisdictions.

Constitutional Entrenchment

The first dimension concerns the legal level at which central bank independence is entrenched. Bank Indonesia is constitutionally recognised under Article 23D of the 1945 Constitution, but the detailed content of its independence is left to legislation. The ECB represents a stronger form of legal entrenchment because its mandate and independence are embedded in EU primary law, particularly Articles 127 and 130 TFEU, whereas the Federal Reserve and the Bank of England rely principally on statutory foundations. The principal divergence therefore lies in the juridical source and rigidity of protection: Indonesia combines constitutional recognition with statutory elaboration, placing it between treaty-entrenched and predominantly statutory models.²⁸

Statutory Delegation

The second dimension concerns how legislation operationalises central bank authority. In Indonesia, Article 23D provides constitutional recognition, while the Bank Indonesia Law defines its objectives, powers, independence, and accountability. The Federal Reserve and the Bank of England are more predominantly statute-based, with their mandates and institutional arrangements structured through the Federal Reserve Act and the Bank of England Act 1998. The ECB differs because statutory and secondary measures operate within a stronger treaty-based framework. Indonesia therefore combines constitutional status with legislative flexibility in defining the operational scope of central bank independence.²⁹

²⁷ Christy Ann Petit, "The ECB Mandate—A Comparative Constitutional Perspective," in *The New European Central Bank: Taking Stock and Looking Ahead*, ed. Thomas Beukers, Diane Fromage, and Giorgio Monti (Oxford: Oxford University Press, 2022), 361–391, <https://doi.org/10.1093/oso/9780198871231.003.0015>.

²⁸ Constitution of the Republic of Indonesia of 1945, art. 23D; Consolidated Version of the Treaty on the Functioning of the European Union, arts. 127 and 130; Alexander Thiele, "The Independence of the ECB: Justification, Challenges, and Possible Threats," in *The New European Central Bank: Taking Stock and Looking Ahead*, ed. Thomas Beukers, Diane Fromage, and Giorgio Monti (Oxford: Oxford University Press, 2022), 237–264, <https://doi.org/10.1093/oso/9780198871231.003.0010>.

²⁹ Republic of Indonesia, Law No. 23 of 1999 concerning Bank Indonesia, arts. 4, 7–9, as amended; Federal Reserve Act, §§ 2A–2B; Bank of England Act 1998, §§ 11–12, 19; Petit, "The ECB Mandate," 361–391.

Accountability Mechanisms

The third dimension concerns democratic accountability. None of the four central banks operates outside accountability structures, although the institutional channels differ. The ECB is accountable principally through reporting and engagement with the European Parliament; the Federal Reserve through congressional reporting and hearings; the Bank of England through parliamentary scrutiny and statutory interaction with the Treasury; and Bank Indonesia through DPR oversight, statutory reporting, audit, and appointment mechanisms. The comparison therefore shows that accountability is not the opposite of independence, but a complementary mechanism through which autonomous monetary authority is constitutionally legitimised.³⁰

The comparative findings across these three dimensions are synthesised in Table 2. The table highlights the principal convergences and divergences in the legal foundations, operationalisation, and accountability of central bank independence across Bank Indonesia, the ECB, the Federal Reserve, and the Bank of England.

Table 2. Comparative Constitutional Status of Central Banks

Dimension	Bank Indonesia (BI)	European Central Bank (ECB)	Federal Reserve System (Fed)	Bank of England (BoE)
Constitutional Entrenchment	Express constitutional recognition under Art. 23D; detailed independence regulated by statute	Strong treaty-level entrenchment under Arts. 127 and 130 TFEU	No constitutional entrenchment; statutory institution	No constitutional entrenchment; statutory institution within parliamentary sovereignty
Statutory Delegation	Bank Indonesia Law specifies objectives, functions, independence, and accountability	Statutory/secondary measures operate within primary EU treaty framework	Federal Reserve Act defines mandate, institutional powers, and reporting obligations	Bank of England Act 1998 delegates operational monetary-policy authority
Accountability Mechanisms	the Indonesian House of Representatives (DPR) oversight, statutory reporting, audit, appointment process, judicial/legal review	European Parliament hearings and reporting; judicial review by CJEU	Semi-annual reporting and congressional hearings under §2B Federal Reserve Act	Parliamentary scrutiny, statutory reporting, Treasury interaction

³⁰ Hinarejos and Rakic, "Independence, Discretion and Accountability," 473–490; Nicolò Fraccaroli, Alessandro Giovannini, Jean-François Jamet, and Eric Persson, "Central Banks in Parliaments: A Text Analysis of the Parliamentary Hearings of the Bank of England, the European Central Bank, and the Federal Reserve," *International Journal of Central Banking* 19, no. 2 (2023): 543–600.

<i>Comparative Character</i>	<i>Constitutionally recognised but statutorily operationalised independence</i>	<i>Treaty-entrenched independence</i>	<i>Statutorily delegated operational independence</i>	<i>Parliamentary-statutorily delegated operational independence</i>
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Viewed across the three dimensions, the comparison reveals both convergence and divergence. All four systems protect monetary decision-making from direct political instruction and combine autonomy with some form of public accountability.³¹ Their principal divergence lies in the legal source and institutional rigidity of independence. The ECB represents the strongest form of supranational legal entrenchment; the Fed and the Bank of England rely predominantly on statutory delegation; while Bank Indonesia combines constitutional recognition with legislatively structured operational autonomy and accountability.³² This configuration supports the characterization of Indonesia as a form of Hybrid Constitutional Central Banking: its independence is constitutionally acknowledged but neither constitutionally self-executing nor institutionally isolated, because its mandate, accountability, and coordination mechanisms remain structured through legislation.³³

The comparative significance of the Indonesian model therefore lies not in possessing a greater or lesser degree of independence than the other institutions, but in the interaction between constitutional entrenchment, statutory flexibility, and democratic accountability. This combination distinguishes Bank Indonesia from the treaty-entrenched ECB and the predominantly statute-based Federal Reserve and Bank of England, while demonstrating that central bank independence may be constitutionally recognised without being institutionally isolated. Indonesia's model is therefore best understood as a form of Hybrid Constitutional Central Banking, in which constitutional legitimacy, legislative adaptability, and accountability mechanisms operate together to structure monetary authority within a democratic constitutional order.

The Independence–Accountability Paradox

Central bank independence rests on a familiar institutional dilemma: monetary authorities are insulated from short-term political pressures precisely because discretionary monetary policy may be vulnerable to electoral incentives and time-inconsistency problems.³⁴ Yet delegation to unelected technocratic institutions generates a corresponding legitimacy problem, because independence transfers significant public authority away from directly elected institutions.³⁵ Contemporary scholarship therefore increasingly treats independence and accountability not as opposing principles, but as mutually conditioning

³¹ Hinarejos and Rakic, "Independence, Discretion and Accountability," 473–490; Fraccaroli et al., "Central Banks in Parliaments," 543–600.

³² Thiele, "The Independence of the ECB," 237–264; Petit, "The ECB Mandate," 361–391.

³³ Constitution of the Republic of Indonesia of 1945, art. 23D; Republic of Indonesia, Law No. 23 of 1999 concerning Bank Indonesia, arts. 4, 7–9, as amended; Constitutional Court of the Republic of Indonesia, Decision No. 25/PUU-XII/2014, 288, 291–292; Lastra, *International Financial and Monetary Law*, 63–68.

³⁴ Finn E. Kydland and Edward C. Prescott, "Rules Rather than Discretion: The Inconsistency of Optimal Plans," *Journal of Political Economy* 85, no. 3 (1977): 473–491; Kenneth Rogoff, "The Optimal Degree of Commitment to an Intermediate Monetary Target," *Quarterly Journal of Economics* 100, no. 4 (1985): 1169–1189.

³⁵ Peter Conti-Brown, *The Power and Independence of the Federal Reserve* (Princeton, NJ: Princeton University Press, 2016), 18–21; Tucker, *Unelected Power*, 54–58.

elements of legitimate central banking: greater policy discretion requires sufficiently clear mandates, transparency, and mechanisms of institutional scrutiny.³⁶

Indonesia illustrates this tension in constitutional form. Article 23D of the 1945 Constitution recognises the central bank while leaving its independence, authority, and institutional design to legislation.³⁷ Bank Indonesia is therefore constitutionally protected from direct political interference but remains embedded within a statutory framework of mandate definition, parliamentary accountability, and financial-system coordination. The post-PPSK framework, particularly after the 2026 amendment, further sharpens this balance by combining an expanded policy mandate and legal protection for monetary decision-makers with stronger parliamentary and institutional accountability. Rather than eliminating the independence–accountability paradox, Indonesian law institutionalises it.

This arrangement is better understood as constitutionally embedded independence rather than institutional insulation. The relevant constitutional question is not whether Bank Indonesia should be entirely separated from political institutions, but whether accountability mechanisms preserve democratic legitimacy without enabling political direction of monetary judgment. This distinction accords with contemporary comparative research showing that formal central bank independence operates through multidimensional legal safeguards while remaining compatible with parliamentary scrutiny and public accountability.³⁸ It also reflects the broader post-crisis evolution of central banking, in which monetary authorities increasingly exercise macroprudential and financial-stability functions requiring coordination with other public institutions.³⁹

Indonesia therefore provides a distinctive response to the independence–accountability paradox. Its model combines constitutional recognition, statutorily protected operational autonomy, legislative accountability, and coordinated financial governance. The result is not an absolute resolution of the paradox, but a legal framework for managing it. This interaction provides the theoretical foundation for the article’s concept of Hybrid Constitutional Central Banking, in which monetary credibility and democratic legitimacy are treated as complementary constitutional requirements rather than mutually exclusive objectives.

4. Conclusion

The constitutionalization of central banking represents one of the most consequential institutional developments in contemporary constitutional governance. This article has demonstrated that the evolving position of Bank Indonesia cannot be understood merely within the domain of monetary administration, but must instead be situated within the broader transformation of constitutional state architecture in the post-authoritarian democratic era.

Indonesia’s constitutional reform fundamentally redefined the relationship between economic governance and state power. By explicitly recognizing an independent central bank within Article 23D of the 1945 Constitution of the Republic of Indonesia, monetary authority was elevated from statutory delegation to constitutional status. This shift signifies the emergence of monetary stability as a constitutional value, reflecting the growing

³⁶ Hinarejos and Rakic, “Independence, Discretion and Accountability,” 473–490.

³⁷ Constitution of the Republic of Indonesia of 1945, art. 23D; Republic of Indonesia, Law No. 23 of 1999 concerning Bank Indonesia, as amended by Law No. 4 of 2023 and Law No. 4 of 2026.

³⁸ Garriga, “Revisiting Central Bank Independence in the World”; Fraccaroli et al., “Central Banks in Parliaments,” 543–600.

³⁹ Charles A. E. Goodhart, “The Changing Role of Central Banks,” *BIS Working Papers* No. 326 (Basel: Bank for International Settlements, 2010); Indrawati, “Independence of Bank Indonesia,” 218–224.

recognition that macroeconomic credibility constitutes an essential component of democratic constitutional order.

The comparative inquiry undertaken in this study confirms that central bank independence operates along a constitutional spectrum rather than within a uniform institutional model. Whereas some jurisdictions institutionalize strong technocratic insulation, others maintain closer political supervision through legislative sovereignty or executive coordination. Indonesia occupies an intermediate and increasingly relevant position within this spectrum. Its institutional design reflects neither absolute autonomy nor political subordination, but a calibrated balance between operational independence and democratic accountability.

Importantly, the Indonesian experience illustrates that central bank independence does not eliminate political influence; rather, it restructures such influence through constitutional mechanisms. Accountability is exercised not through direct intervention in monetary decision-making, but through appointment procedures, statutory mandates, transparency obligations, and institutional coordination within financial stability governance. Independence therefore functions as a constitutional safeguard against short-term political pressures while remaining embedded within democratic legitimacy structures.

Recent financial sector reforms further reinforce this institutional evolution by integrating Bank Indonesia into a coordinated financial governance framework without formally diminishing its autonomy. The resulting arrangement demonstrates a transition from classical notions of insulated central banking toward what may be characterized as hybrid constitutional central banking, in which autonomy, coordination, and accountability coexist within an integrated economic governance system.

From a broader theoretical perspective, this article contributes to comparative constitutional scholarship by advancing the proposition that effective central bank independence in emerging democracies depends less on maximal institutional insulation than on constitutional embedding supported by legally structured accountability. Indonesia's model thus challenges the conventional dichotomy between independence and democratic control, suggesting instead that constitutional design may reconcile both principles through institutional hybridity.

Ultimately, the Indonesian constitutional experience underscores a central insight: sustainable monetary governance in democratic states requires not the depoliticization of economic authority, but its constitutionalization. By positioning Bank Indonesia simultaneously as an autonomous monetary authority and a constitutionally accountable public institution, Indonesia offers an important reference point for understanding how modern constitutions adapt to the demands of financial stability, democratic legitimacy, and global economic interdependence.

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