

BRIEFING PAPER

How has the monetary panel worked in the past 5 years and what improvements do you envisage?

by

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Executive Summary

The paper contains a brief assessment of the present state of the process and round table debates and to a feed back by members of parliament to the members of the panel.

Before assessing the work of the panel one should define what could be done by them:

- Firstly, panel members can inform members of the monetary committee on the current state of monetary affairs.
- Secondly, they can help to analyse the current situation and assessing the prospects for the primary target of the ECB, price stability, and all other targets to be observed by the ECB.
- Thirdly, they can address special issues of interest to members of the committee that are defined by the members of parliament.
- Finally, they can raise issues of own interest to be assessed as important by the panel members themselves.

By these panel inputs members of parliament should be put into a position to properly question the ECB policy at the quarterly meetings with the ECB president. In particular they should be able to assess the answers given by the ECB president such that they can fulfil their duty as members of the monetary committee.

In the past five years at the beginning the first and second instruments were primarily used, whereas during the last years the third instrument had a more prominent role. The fourth instrument was not used at all. Predominantly panellists wrote papers, more rarely there were round table meetings mostly with only some of the panellists.

From a viewpoint of a panellist the applied procedure was generally appropriate. Especially writing the papers on special topics seemed to be extremely useful. The description of current issues of monetary affairs presented in earlier years was not so satisfying, since most of these issues were already discussed in business newspapers and it is difficult to add any more relevant informant information.

However one thing was good with these initial briefing papers, at the end people were asked to outline some questions they would like to ask the ECB president. This was a fruitful exercise since one was urged to focus on relevant issues in a precise way. It may also have helped members of parliament to phrase their questions at the meetings with the ECB president.

What should be changed in the future? Basically the present structure of the process should be preserved. But some fine-tuning may be useful. First of all one should refrain from the first two ways of comments altogether. I think it is of no use for members of parliament to get this information a second or a third time. Secondly one should proceed giving topics to panellists members of parliament are interested in and then select those who should write on certain topics. But each member of the panel should have once a year an opportunity to write a paper on the issues he or she considers the most important. This can be a comment on current issues that highlights aspects generally neglected. It can also be an issue from current research considered relevant for the assessment of actual monetary policy. These papers may serve members of parliament to get new insights, because they get an unconventional comment or new ideas from research

Furthermore at the end of each paper of whatever kind panellist should be asked whether they would change interest rates or keep them unchanged. They should also be asked to give reasons for their decision in a few sentences. These statements may help members of parliament to find out quickly whether the panel agrees with the present state of monetary policy or not. And for what reason this is so. This may help members of parliament to find their own opinion with respect to actual monetary policy. This may also prove useful for preparing questions for the ECB president, because out of the opinions given by members of the panel they can select those that seem appropriate to ask the ECB president to comment on. This could give new insights into the reasoning and assessment of the ECB governing council.

A final way to improve the work of the panel may be to organise one or two debates between members of the panel at a meeting of the monetary committee. One should select members of the panel who may have opposing views on certain topics and invite them to a roundtable discussion. Then members of parliament could get a first hand insight into these views and discuss matters immediately with the panellists. This immediate confrontation may help members of parliament to form their own view on the issue and use their insight when questioning the ECB president.

These few and minor changes could help to improve an already very interesting process of counselling at least from the perspective of an economic adviser. But for

the panellist it may also be helpful to get a feed back by members of parliament on how useful their advice really is and how it can be improved.