

Zentrum für Europäische Integrationsforschung  
Center for European Integration Studies  
Rheinische Friedrich-Wilhelms-Universität Bonn



Christa Randzio-Plath

**A New Political Culture in  
The EU - Democratic  
Accountability of the ECB**

**Working  
Paper**

**B 04  
2000**

# **A new political culture in the EU –democratic accountability of the ECB**

**Christa Randzio-Plath**

**Chair of the Committee on Monetary and Economic Affairs of the European Parliament  
Former Chair of the Subcommittee on Monetary Affairs of the European Parliament**

**February 2000**

Christa Randzio-Plath  
Member of the European Parliament  
Rue Wiertz  
LEO 12 G 306  
1047 Brussels  
Tel (32 2) 284 - 54 43, Fax – 94 43  
crandzio@europarl.eu.int

- I. The role of the European Central Bank in the Treaty on European Union and its relation to the European Parliament
- II. The role of the ECB in Economic and Monetary Union
- III. Monetary Policy of the ECB as seen by the European Parliament
- IV. Monetary Dialogue – first experiences
  1. The nomination procedure and the European Parliament
  2. Reporting and publishing: the ECB's annual report and monthly bulletins
  3. Publication of the minutes
  4. Publication of the voting records
  5. Reporting to the European Parliament – the monetary dialogue
  6. First conclusions about the monetary dialogue
- V. Perspectives

## **I. The role of the European Central Bank in the Treaty on European Union and its relation to the European Parliament**

As from 1 January 1999, when European Monetary Union was launched, the European Central Bank (ECB) has conducted a single monetary policy on behalf of all the countries participating in Monetary Union. The ECB is the first European federal authority and was established with unprecedented powers. Articles 105 et seq of the Treaty on European Union<sup>1</sup> state its institutional, functional, objective and staffing independence. Articles 2<sup>2</sup> and 7<sup>3</sup> of the Statute of the European System of Central Banks and of the European Central Bank stress the importance of this independence further. Article 108<sup>4</sup> states very clearly that in the exercise of their powers and carrying out of their tasks and duties, neither the ECB nor a national central bank, nor any member of their decision-making bodies should seek or take instructions from Community institutions or bodies, any national government or any other body. Unlike any other central bank, the ECB is assigned the priority objective of price stability, which was left to the ECB to define. The independence of the ECB is very far reaching as it is established by the Treaty on European Union, an international treaty which can only be altered by means of a unanimous decision of the member states and ratification by national parliaments.

The unprecedentedly high degree of the ECB's independence calls for a correspondingly high level of democratic accountability, as real independence requires legitimacy and transparency in order to be credible and lastingly accepted. The purpose of central bank independence is to favour the long term over the short term in its monetary policy decisions. In order to carry out its task of maintaining price stability, the ECB has at its disposal a number of monetary instruments, in particular the power to determine short-term interest rates. These influence real

---

<sup>1</sup> Treaty on European Union, revised by the Treaty of Amsterdam, Chapter 2: Monetary Policy

<sup>2</sup> Protocol on the Statute of the ESCB and the ECB, Article 2, Objectives: «In accordance with Article 105 (1) of this Treaty, the primary objective of the ESCB shall be to maintain price stability. Without prejudice to the objective of price stability, it shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2 of this Treaty. (...)»

<sup>3</sup> Protocol on the Statute of the ESCB and the ECB, Article 7, Independence : « In accordance with Article 108 of this Treaty, when exercising the powers and carrying out the tasks and duties conferred upon them by this Treaty and this Statute, neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of decision-making bodies of the ECB or of the national central banks in the performance of their tasks. »

<sup>4</sup> Treaty on European Union, revised version, Article 108 : « When exercising the powers and carrying out the tasks and duties conferred upon them by this Treaty and the Statute of the ESCB, neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of decision-making bodies of the ECB or of the national central banks in performance of their tasks. »

economic aggregates such as economic growth, investment and employment. In addition, Article 105 (1) lays down that the primary objective of the ESCB is to maintain price stability. Without prejudice to the objective of price stability, however, “the ESCB shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2<sup>5</sup>.” In this framework, there is the risk that, in order to demonstrate independence, a central bank seeks to enhance its own reputation by breaking records for price stability, hence steering towards deflation. Thus, the ECB is very rightly accountable to the European public, and, as the sole democratically-legitimised institution, it is the European Parliament which has to hold the ECB to account. Accordingly, this necessity has been laid down as a Treaty obligation.

In sum, reconciling Central Bank independence with the requirements of democracy means that we need transparency in and justification of monetary decision making. The European Union needs it because democracy and transparency belong together. Competence was shifted to the EU level as national Central Banks transferred their decision-making powers to the ECB. The ECB needs transparency in order to get credibility in monetary decisions, and the confidence which is needed for EMU. It is for this reason that the European Parliament has been paying special attention to the explanations for monetary decisions and actions as well as their background.

Article 113 (3) of the Treaty and Articles 15.1 and 15.3 of the ESCB Statute lay down the principle of transparency and the relation of the ECB to the European Parliament. Article 113 (3) and Article 15.3<sup>6</sup> of the Statute require that the President of the ECB presents an annual report on the activities of the ESCB and on monetary policy to the European Parliament. In addition, the President and the other members of the Executive Board can be asked by the European Parliament to give evidence to the Committee on Economic and Monetary Affairs.<sup>7</sup> Article 15.1<sup>8</sup> of the Statute adds the requirement to publish reports at least on a quarterly basis.

---

<sup>5</sup> Treaty on European Union, revised version, Article 2 : « The Community shall have as its task, by establishing a common market and an economic and monetary union and by implementing common policies or activities referred to in Articles 3 and 4, to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States. »

<sup>6</sup> Protocol on the Statute of the ESCB and the ECB, Article 15.3 : « In Accordance with Article 113 (3) of this Treaty, the ECB shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and the current year to the European Parliament, the Council and the Commission, and also to the European Council. »

<sup>7</sup> Treaty on European Union, revised version, Article 113 (3) : « The ECB shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and current year to the European

Until the 1999-2004 legislature, the monetary dialogue between the European Parliament and the ECB took place within the Parliament's Subcommittee on Monetary Affairs. It is now the Committee on Economic and Monetary Affairs which is the relevant committee for this dialogue. The Subcommittee on Monetary Affairs was set up on 9 April 1992. Its activities reflected the European Parliament's new role in monetary affairs and they were geared towards building up a tradition by which the European Parliament, consisting as it does of representatives of the people of the European Union, becomes widely accepted as the appropriate institution in charge of the democratic accountability of the ECB. With the prospect of economic and monetary union, the European Parliament needed a forum in which all financial and monetary issues could be discussed with the necessary expertise. The aim was to organise a monetary dialogue with all actors already in the early phases of EMU, especially with the national central banks and the European Monetary Institute but also with other institutions and actors affected by monetary union, so that the views of financial and economic agents, consumers and citizens could be duly taken into account.

Particular attention was paid to regular meetings with the President of the Committee of Governors of the Central Banks and the national central banks who were responsible for monetary decisions until January 1999. In this dialogue, monetary policy questions, the convergence process and the contribution of monetary policies to solving the problem of unemployment were regularly discussed. Although employment has not been a formal criterion for the introduction of the single currency, the European Parliament strongly believed that it must be taken into account for the overall assessment of economic trends in the member countries. It still regards it as the greatest challenge facing Europe.

The European Parliament has also attached great importance to hearing the relevant central bank governors from outside the European Union: before the accession of Austria, Sweden and Finland with the EFTA countries, and now with the central bank governors of the Central and Eastern European Countries.

Throughout the years preceding the creation of EMU particular consideration was given to the annual examination of the nominal convergence processes of the member states. The Parliament

---

Parliament, the Council and the Commission, and also to the European Council. The President of the ECB shall present this report to the Council and to the European Parliament, which may hold a general debate on that basis. The President of the ECB and the other members of the Executive and other members of the Executive Board may, at the request of the European Parliament or on their own initiative, be heard by the competent Committees of the European Parliament. »

<sup>8</sup> Protocol on the Statute of the ESCB and the ECB, Article 15.1, Reporting commitments : « The ECB shall draw up and publish reports on the activities of the ESCB at least quarterly. »

was fully integrated in the preparations for the historical decision about the start of Monetary Union. In a solemn plenary session on May 2, 1998, the European Parliament voted in favour of the start of EMU with 11 member states which had fulfilled the five convergence criteria. The European Parliament found that considerable progress had been made by the member states of the European Union in terms of convergence with a view to the start of the third stage of Economic and Monetary Union, which led to low inflation rates, low long-term interest rates, limited exchange rate fluctuations and sufficient consolidation of government budgets both in terms of deficit and debt levels. It judged that the introduction of the single currency was feasible by the 11 member states and that the degree of independence of the national central banks was in line with the Treaty.

A crucial topic for the monetary discussions at the European Parliament were the effects of monetary policy on investment, growth and employment. This took place in the framework of dialogues with national central banks and ministries of finance. The Subcommittee also began monitoring trends in monetary policies in the member states. The need for transparency was stressed. The European Parliament has repeatedly observed that the central banks had come to terms very thoroughly with the economic, employment, social and financial policy situations and decisions of the individual member states and that regular dialogue existed between the national central banks and national governments. Interestingly enough, neither the Danish nor the Dutch central bank governors could be heard at the European Parliament. Their independence was such that they did not even appear before their own national parliaments.

From the beginning of Stage Two, the principle of accountability that now applies to the ECB was applied to the European Monetary Institute. Under the Treaty, the EMI had a duty of co-operation with the European Parliament, which it fulfilled in plenary sessions and in the dialogue with the Subcommittee on Monetary Affairs in order to prepare for the establishment of the ECB and the beginning of EMU. The EMI reports on its activities and on economic and monetary convergence formed the basis of hearings in the Subcommittee, which also considered other topical issues and the secondary legislation on the preparations for EMU. Once a year, the President of the EMI presented his institution's annual report at the plenary session of the European Parliament as the ECB President does now.

## **II. Monetary Policy of the ECB as seen by the European Parliament**

The primary objective of the ECB is to maintain price stability. By leaving it to the ECB to define price stability, the Treaty also gives it influence over economic policy. It is the ECB

which decides whether to make central bank funds available and at what interest rates, and this in turn has implications for economic growth, investment and employment. As the Treaty does not give a precise definition of price stability, or establish by whom this concept is to be defined or by whom this definition is to be set, it is therefore clear that these tasks fell to the ECB according to Article 12<sup>9</sup> of its Statute. It can be discussed whether the definition of price stability should have been determined by a political process, but given that it is the ECB's prerogative, the degree of its independence is shown very clearly. This fact, on the other hand, increases also the need for democratic accountability. As central banks have become increasingly independent, the trend toward legitimisation by means of the transparency of monetary decisions through monetary dialogue with parliaments has developed everywhere.

The ECB's monetary strategy consist of three main elements: a quantitative definition of price stability and a two-pillar strategy used to achieve this objective: a broadly based assessment of the outlook for price developments and a quantitative reference value for the annual growth rate of M3. The ECB defined price stability as a rate of year-on-year change in the consumer price level of below 2%<sup>10</sup>. The monetary reference value is defined as a 4.5% growth in the money supply.<sup>11</sup> The mix of inflationary and monetary reference values, however, leads more to confusion than to clarification. Consequently, the precise definition of price stability, how it is to be monitored as well as the precise role of the M3 reference value in determining monetary policy have given rise to much discussion well beyond the Parliament.

The ECB assigns a prominent role to money supply, but at the same time, they claim that the euro area monetary aggregate does not need to be controllable in the short run. Obviously, there are reasons for this lack of controllability. First, the demand for money is not stable in the short

---

<sup>9</sup> Protocol on the Statute of the ESCB and the ECB, Article 12.1, Responsibility of decision-making bodies : « The Governing Council shall adopt the guidelines and make the decisions necessary to ensure the performance of the tasks entrusted to the ESCB under this Treaty and this Statute. The Governing Council shall formulate the monetary policy of the Community including, as appropriate, decisions relating to intermediate monetary objectives, key interest rates and the supply of reserves in the ESCB, and shall establish the necessary guidelines for their implementation. The Executive Board shall implement monetary policy in accordance with the guidelines and decisions laid down by the Governing Council. In doing so the Executive Board shall give the necessary instructions to national banks. In addition the Executive Board may have certain powers delegated to it where the Governing Council so decides. (...) »

<sup>10</sup> Press Release of the meeting of the Governing Council on October 13, 1998 : « Price stability shall be defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2% . Price stability is to be maintained over the medium term. (...) The precise definition of the reference aggregate and the specific value for monetary growth will be announced by the Governing Council of the ECB in December 1998.»

<sup>11</sup> Press Release of the meeting of the Governing Council on December 1, 1998 : « The reference value will refer to the broad monetary aggregate M3. M3 will consist of currency in circulation plus certain liabilities of Monetary Financial Institutions (MFIs) resident in the euro area and, in the case of deposits, the liabilities of some institutions that are part of central government (such as Post Offices and Treasuries). (...) the Governing Council decided to set the first reference value at 4 ½%. In December 1999, the Governing Council of the ECB will review the reference value for monetary growth.»

run. This problem increases with low inflation rates as they reduce the opportunity cost of holding money. What is more, doubts have been raised about whether M3 can even be an indication of inflationary development in the longer run, as the new euro zone is expected to give rise to erratic movements in this aggregate at least over a seven-year transition period. Secondly, the demand for M3 depends on interest rate variables that cannot be directly controlled by the ECB. But if the operating targets of the ECB lack a systematic influence on the growth rates of M3, then the whole approach becomes questionable. The ECB is aware of this control problem. In reality, by focussing on inflation rates rather than M3, the ECB appears rather to be pursuing a one-pillar strategy. Thus it avoids using the term “intermediate target” and speaks of a “reference value” instead. The question is, however, what the function of such a reference value is, compared with the role of an intermediate target. The German example of the Bundesbank pursuing a monetary target shows that the control problem exists not only in the short run but also in the medium and long run. Even over long periods, the Bundesbank was often unable, or unwilling, to meet the target. This, in turn, questions the predictability of monetary decisions. Market actors have to be able to rely on the ECB, and they have to be able to anticipate their decisions to some extent. The current overshooting of M3 over the reference value makes the ECB’s future behaviour uncertain. And uncertainty about the basis of future judgement gives rise to market speculation. Concentrating on specific inflation targets, together with inflation forecasts, evaluations of inflation trends, and intermediate money-supply targets, as well as the underlying forecasts for GDP growth, would be better. This would lead to more transparency in the ECB’s monetary strategy and would make it easier to hold it to account.

Another area of concern is the definition of price stability by the ECB as such. In the Parliament’s view, the ECB did not choose this definition carefully enough, in particular its narrowness. Not only inflationary risks have to be taken into account: deflation is detrimental to the economy as well. In addition, if the band is too narrow, problems with statistical data come to the fore. A hearing in the Monetary Subcommittee on statistical data on February 17, 1999 revealed that in terms of form, quality and timeliness the statistical data for the euro zone leave much to be desired. Euro-11-data rely on national data produced by the national central banks. Their quality, however, is the key for monetary strategies and reliability. Another complicating factor has been that research by Fed economists have shown that inflation rates might misinterpret the true rate of price increases. Official data for inflation are assumed to be overstated by around 1% on an annual basis. As mentioned above, the problem of inaccurate statistical measurement of price changes might be even more pronounced in the EU. Thus, the

risk of undershooting the lower bound of the target zone without noticing immediately is real. Therefore, the European Parliament underlines that it is crucial for the ECB to have more room for manoeuvre by re-defining the range.

### **III. The role of the ECB in Economic and Monetary Union**

In addition to maintaining price stability, the ECB has other duties to perform. Article 105 of the Treaty recognises the capacity of monetary policy to contribute to the achievement of the objectives of the Community of Articles 2 and 3 concerning economic growth and a high level of employment. Without prejudice to the objective of price stability, the ECB has to take into account the need to support the economic policies of the European Union, which are to lead to economic and social cohesion. With a single monetary policy, Europe must gain a more appropriate and better balanced policy mix, which is badly needed to stimulate investment, growth and employment. Thus, the European Parliament welcomed the first rate move of the ECB when it cut its key refinancing rate by 50 basis points on April 8, 1999, as this showed that the ECB was concerned about the deteriorating economic prospects of the euro area. Already the coordinated interest rate cut of the European central banks in December 1998 indicated the right direction.

Clearly, monetary policy must be supported in its task of ensuring price stability by commensurate budget measures, wage developments and efficient product and capital markets. In addition to this, however, an intensive European dialogue between economic actors and social partners in the framework of the Community institutions and Community consultation procedures is essential in order better to define and achieve the Community's economic, social and environmental objectives. The overall economic performance of the EU in the last decade was disappointing. The EP is therefore calling for a profound analysis and for the installation of the appropriate, co-ordinated instruments to tackle the underlying problems that resulted in the stagnation of the nineties. In the perception of the Parliament, the achievement of qualitative progress in bringing down unemployment figures requires more than just structural reform: what is needed is sustained high growth of at least 3%. Current discussions focus on whether the EU should set itself quantitative targets for growth and employment as it has for inflation and budgetary deficits, but so far no consensus has emerged in the matter.

The European Parliament stresses the importance of an appropriate and balanced policy mix that fosters stability and sustainable growth. This implies, on the one hand, sound macroeconomic

policies conducive to sustained non-inflationary growth and employment, and, on the other hand, greater co-ordination of economic and structural policies to maximise the growth and employment potential of the EU. At its meeting in Cologne on June 3 and 4, 1999, the European Council decided on a European Employment Pact aimed at a sustainable reduction of unemployment, based on three main pillars, one of which is the so-called Cologne process: a macro-economic dialogue aimed at improving interaction between wage developments and monetary, budgetary and fiscal policy.<sup>12</sup> The ECB has to contribute to the macro-economic dialogue.

The procedures by which these general policies come into existence are still in the process of development although, enshrined already in the Treaty on European Union, they should have been put into practice since Stage Two of EMU. Key elements are the Annual Economic Report and the broad economic guidelines by the Commission, on which Parliament holds an annual debate and produces political proposals and recommendations for the Council of Ministers and the Commission. The European Parliament insists on participating officially on these procedures beyond what is already provided in Articles 128<sup>13</sup> and 130<sup>14</sup> and in current practice. To act against the democratic deficit in these procedures, the European Parliament calls for an inter-institutional agreement between the European Parliament, the Commission and the Council, including the procedure of the broad economic guidelines and the excessive deficit procedure. In the meantime, the European Parliament calls for the ECB's own Annual Reports to contain judgements of the extent to which monetary policy has in fact supported the general economic policies. Once a year, an ECB position on the economic situation in the euro-11 zone is asked for on the occasion of the presentation of the Annual Economic Report.

---

<sup>12</sup> The second pillar is a further development and better implementation of the co-ordinated employment strategy (Luxembourg process), the third pillar consists in a comprehensive structural reform and modernisation to improve the innovative capacity and efficiency of goods, services and capital markets (Cardiff process).

<sup>13</sup> Treaty on European Union, revised version, Article 128: « (1) The European Council shall each year consider the employment situation in the Community and adopt conclusions thereon, on the basis of a joint annual report by the Council and the Commission. (2) On the basis of the conclusions of the European Council, the Council, (...) after consulting the European Parliament, (...) shall each year draw up guidelines which the Member States shall take into account in their employment policies. (...) »

<sup>14</sup> Treaty on European Union, revised version, Article 130: « The Council, after consulting the European Parliament, shall establish an Employment Committee with advisory status to promote co-ordination between Member States on employment and labour market policies. (...) »

## **IV. Monetary dialogue – first experiences**

### **1. The nomination procedure and the European Parliament**

The European Parliament had to be consulted on the appointment of the six members of the Executive Board by the governments of the member states (Article 112(2)b<sup>15</sup>). This was also the case for the nominations of the Presidents of the EMI in Stage Two. These hearings - held in public along the lines of those in the US Senate - allowed for a judgement to be formed of the candidates' personal integrity, professional competence and views on monetary and economic policy. Unlike in the United States, however, the nomination process does not comprise a confirmation procedure. The European Parliament has no power to enforce its decision or legally to prevent a nomination. This means that the European Parliament has only a political power to assess nominees, and, through its hearing procedure, helps to guide public opinion. In view of the importance of their position and their impact on economic, financial, employment and social policy, the requirements applicable to members of the Executive Board must be very stringent. A candidate who fails to convince the European Parliament should not be acceptable. Therefore, the current procedure for appointing members of the ECB's Executive Board is important but can only be a first step. The ECB gains in credibility and legitimacy if members of the Executive Board give a convincing performance in public.

### **2. Reporting and publishing: the ECB's annual report and monthly bulletins**

The principle of transparency is described in the Treaty and the Statute of the ESCB and the ECB. Article 113(3) of the Treaty on European Union and Articles 5<sup>16</sup> and 15 of the Statute require ECB reports to be published. The reports in question are annual reports, which facilitate the dialogue with the European Parliament on the monetary policy pursued in the past and current years and the ECB's plans for the future, as well as reports on the activities of the ESCB which should be drawn up and published at least quarterly. This publication requirement makes the ECB democratically accountable. A reading of Article 15 in conjunction with Article 12

---

<sup>15</sup> Treaty on European Union, revised version, Article 112(2)b : « The President, the Vice-President and the other members of the Executive Board shall be appointed from among persons of recognised standing and professional experience in monetary or banking matters by common accord of the governments of the Member States at the level of Heads of State or Government, on a recommendation from the Council, after it has consulted the European Parliament and the Governing Council of the ECB. Their term of office shall be eight years and shall not be renewable. Only nationals of Member States may be members of the Executive Board. »

<sup>16</sup> Protocol on the Statute of the ESCB and ECB, Article 5.1, Collection of statistical information: « In order to undertake the tasks of the ESCB, the ECB, assisted by the national central banks, shall collect the necessary statistical information either from the competent national authorities or directly from economic agents. (...) »

shows that reporting is expected to cover monetary policy definitions, approaches, objectives and instruments. The ECB has to explain its past monetary policy decisions in the light of recent inflation trends and how they comply with price stability. In addition, the ECB has to explain its inflation forecasts, its comments on other institutions' forecasts and comparisons of these with the price stability target set, as well as the forecasts for real GDP growth upon which its broad assessment is based.

The European Parliament also calls on the ECB to include a description of how the ECB intends to support the general economic policies in the Community with their monetary policy, as well as their appraisal of the extent to which monetary policy has in fact supported these general economic policies. In the interest of transparency and credibility the ECB should make it clear how monetary policy is intended, over and above the objective of price stability, to contribute to a balanced and appropriate policy mix in order to promote growth and employment.

All in all, the first monthly reports provide the key data and broad reasoning behind monetary policy decisions. They have proven, however, not to be sufficiently detailed, as they concentrate almost exclusively on past developments. It is surprising that the ECB does not publish its own projections or predictions for price developments and some key variables, just as projections on the basis of the current policy stance would be particularly helpful. The ECB claims that the forecasts might have an adverse effect on financial markets and wage and price setting, and that the credibility of the ESCB could be damaged in the medium-term if the conditional nature of the forecasts is not well understood. In addition, the ECB argues that their estimates and models are still in a preliminary phase and that they have not tested them enough to be sure of their quality. These justifications are not convincing. Producing an inflation forecast is certainly difficult, especially at the start of EMU, in view of the wide uncertainties concerning the reliability of past relationships between money and prices. But whatever these difficulties, the ECB has to make its own forecasts on the basis of which it takes the relevant policy decisions. Therefore, the European Parliament calls on the ECB to publish forecasts on a six-monthly basis which set out the prospects and the risks attached to those prospects, for domestic demand and its principal components; net exports, nominal and gross domestic product, consumer price inflation, unemployment and the current account balance, together with relevant data and research on which such forecasts are based, in order to permit a reliable assessment of monetary decisions, avoid market misinformation, ensure market transparency and hence counter speculation. In this context, the ECB should explain the weight and importance of indicators other than its two pillars of monetary reference values and inflation forecasts. Not revealing to

the public the background analysis for its policy decisions could give rise to the suspicion that the ECB wants to hide information from the public. This appears unjustified from any relevant point of view. Therefore, the European Parliament welcomes the announcement of the ECB President made on October 26, 1999 during the plenary session that the ECB decided to go farther in terms of transparency and publish inflation forecasts<sup>17</sup> and its econometric models.

### **3. Publication of the minutes**

The Statute of the ESCB and the ECB states in Article 10.4 that the proceedings of the meetings of the Governing Council “shall be confidential. The Governing Council may decide to make the outcome of its deliberations public”. The European Parliament calls for a summary of the minutes of the ECB Council meetings to be published. These should include the decisions taken, the reasoning behind them and, most importantly, the arguments for and against these decisions. In addition, the summaries should explain how the decisions are linked to and affect other policies to prepare a sound basis for financial market decisions. The minutes should be published at the latest by the day after the ECB’s next meeting. The Federal Reserve believes that the volatility of financial markets can be restrained by a transparent decision-making process. Studies are being undertaken in order to find out how the Federal Reserve can improve its transparency. The ECB has refused to publish the minutes arguing that publishing minutes would create financial market disturbances. It can be argued, however, that publishing minutes might be useful to prevent central bank presidents from putting national interests over EMU interests. The Bank of England goes farther in terms of transparency and accountability than the ECB by publishing their minutes and including details of voting behaviour. The US Federal Reserve has adopted a practice which reconciles the need for the bank to be independent with the need for openness of decision-making. The fact that minutes recording decisions are published has never once caused any turbulence on the markets or concern among investors. Nor has the independence of the Federal Reserve been called into question by the markets because of the minutes being published.

---

<sup>17</sup> Verbatim report of proceedings, October 26, 1999 : « Duisenberg, President of the European Central Bank : (...) There will come a time when we will publish forecasts, either bi-annually or tri-annually. »

#### **4. Publication of the voting records**

The question of whether or not the ECB should publish their voting records is still a matter of discussion in the European Parliament. The European Parliament decided not to require this during this first phase of the ECB's existence. It is true that the publication of votes could ensure that each Council member becomes particularly attentive to the need to be able to justify his or her own position in terms of their mandate to scrutinise developments in the euro area as a whole rather than developments in their own member state. Given that they will want to maximise respect for their own professional judgement and integrity, publication could even be the best means to ensure both high quality independent judgements and independence for the ECB as a whole. This is also the view which has now been taken by other leading central banks, including the US Federal Reserve Board and most recently by the Bank of Japan. Consequently, the pressure on the ECB to publish voting records after ECB Council meetings is growing.

The European Parliament, however, has so far taken the view that the ECB is a new institution and has to increase the European dimension of the decision-making process while the other economic actors are on the national level of the member states. To formulate and implement a uniform monetary policy for the entire Euro-zone, the Europeanization process should not be disturbed by speculation about voting. In particular, it is feared that the publication of the names of council members in votes would encourage pressure on individual members by political leaders and national public opinion. At the beginning, a new institution needs some time for preparation. But the argument put forward by members of the Federal Reserve is also valid that publication of voting records makes them feel more independent. After all, what is essential in the Parliament's view is that the Council does not agree tacitly, but that individual views are made known.

#### **5. Reporting to the European Parliament – the monetary dialogue**

In addition to the presentation of the ECB's Annual Report, quarterly meetings on recent monetary and economic developments with the President and/or other members of the Executive Board take place. In this way, greater certainty concerning monetary policy can be attained than would be possible purely by publishing reports, as the substance of the reports would be determined solely by the ECB. The monetary dialogue between the European Parliament and the ECB has been established on a regular basis in order to increase the transparency and credibility of the ECB as well as to avoid any misunderstandings which might have an adverse effect on the markets, and invite speculation. There are four issues to be discussed: firstly, monetary

policy concepts and strategies; secondly, the ECB's contribution to growth and employment; thirdly, the international dimension of the euro and fourthly, transparency and other issues. In addition, more practical questions with an impact for citizens and economic actors are dealt with, such as the changeover scenario, the introduction of banknotes, European payment systems and banking fees for the exchange of currencies. Reporting takes place at regular meetings lasting 2 – 3 hours which start with a short introductory statement by the President and continue with comments and questions from the Members of Parliament and answers by the President.

Past experience of the dialogues between the European Parliament, the Presidents of the EMI and national central banks and the Subcommittee on Monetary Affairs has shown that democratic accountability is perfectly feasible in the form of reporting and dialogue. In addition, the European Parliament invites the ECB President to take part in the general debate on monetary and economic developments over the previous and the current year, on the basis of the Annual Report of the ECB and the European Commission's Annual Economic Report as well as the broad economic guidelines which are proposed by the Commission and later on decided by the Council of Ministers. The dialogue between the European Parliament and the ECB concentrates on price stability, and the monetary targets and instruments used in pursuing price stability and it may at any time be initiated at the request of the President of the ECB or the European Parliament. An issue of special importance is the role of the ECB in contributing to a balanced and appropriate policy mix, especially with a view to the secondary objective of the ECB, always without impairing the objective of price stability.

## **6. First conclusions on the monetary dialogue**

In the regular meetings of the quarterly monetary dialogue, increasingly well-prepared Members of the European Parliament question the President of the ECB on the monetary decisions of the ECB and his view on the economic situation, thereby holding him to account. The minutes of these meetings, as well as a verbatim transcript, can be found on the web site of the European Parliament<sup>18</sup>. Experience has shown that talking to the media, as the ECB does immediately after council meetings, is insufficient as the media are more interested in the news as such than in the consistency of decisions with a more medium-term orientation of monetary policy. In contrast to that, the Members of the European Parliament, who represent the citizens of the European Union, can insist on specific issues by means of detailed questions. Examples of

---

<sup>18</sup> <http://www.europarl.eu.int>

topics of concern that were raised in the monetary dialogue on January 19 and April 19, 1999 with Mr Duisenberg and on September 27, 1999 with Mr Noyer were the two-pillar-strategy of the ECB, inflation forecasts and monetary definitions. Earlier this year, the European Parliament raised the question of the existence of deflationary pressures rather than inflationary risks. Members also attached particular importance to the external value of the euro and the upper bounder of the inflation rate. The ECB conceded that it was “entirely possible” to exceed the lower or the upper limit of 2% of inflation on a short-term basis, claiming that this would not be a matter of concern for the ECB. The role of the ECB in a broader macro-economic environment and its interpretation of Article 105 of the Treaty was another crucial issue. Although the ECB had always claimed that the only contribution it could make to foster economic growth and job creation would be to maintain price stability, they now seem to feel more responsible about it. The ECB pointed out that at the time of the reduction in interest rates, there were much greater risks for a decrease in inflation and at the same time for a downturn. As the President of the ECB emphasised during the monetary dialogue on April 19, 1999: “But the major risk is that we see the down-turn in expectations regarding real economic developments. (...) the weighing of all these risks with regard to both pillars of our monetary strategy means that it is possible for us to pay due attention to the secondary objective of monetary policy of the ECB, namely to support without risk to price stability, the general economic policies in the Community.”<sup>19</sup> On September 27, 1999, the Vice-President of the ECB Christian Noyer pointed out that: “Certainly the ECB does want to give an economic upturn a chance in the coming period. (...) We have fully taken on board the need to provide the best possible economic environment.”<sup>20</sup> It was very surprising to hear, on October 26, 1999 during the presentation of the ECB’s annual report, that “By maintaining price stability, it is our firm belief monetary policy makes the best contribution it can to achieving a high level of output and employment in the medium-term. (...)”. In addition, he made allusion to a possible rise in interest rates.<sup>21</sup>

Judging from the first meetings of the monetary dialogue, the ECB has made use of the opportunity to explain its conduct of monetary policy and, by making the background to its monetary policy decision transparent, has increased public confidence in and the credibility of European monetary policy through its monetary dialogue with the European Parliament.

---

<sup>19</sup> Minutes of the monetary dialogue on April 19, 1999

<sup>20</sup> Minutes of the monetary dialogue on September 27, 1999

## VI. Perspectives

The first year of the euro has been very successful indeed. Monetary policy, now that it has become the responsibility of the European Central Bank, has gained in profile. With the start of EMU, transparency has increased. The ECB has proved to be more than a copy of the Bundesbank as a new European type of central banking has evolved. Important international and European meetings in which the ECB participates, have demonstrated this new role of European monetary policy very clearly. But a new type has also developed as far as the communication of monetary decisions is concerned. The European Parliament, as the representative of the European citizens, is seen to be the appropriate interlocutor of the ECB. However, much remains to be done to implement real accountability. Simply providing the European Parliament with information is not sufficient – the information given has to be clear and complete.

Interest rate movements have to be explained thoroughly and underlying data and forecasts have to be provided, but unfortunately, this did not happen either for the cut in interest rates in April 1999 or for the rise in November 1999. The explanations given were far from convincing, especially that for the rise in interest rates. Only clear information avoids misleading the markets and giving rise to speculation. Especially with a view to Article 105, the ESCB has to make clearer how monetary policy is intended to contribute to a balanced and appropriate policy mix in order to promote sustainable growth and employment, without prejudice to the objective of price stability. The explanation given for the reduction of interest rates by 50 basis points was understood as a clear commitment of the ECB to recognise its obligation to support general economic policies. Its second monetary decision, however, where interest rates were increased by 50 basis points, apparently failed to take into account this secondary target. It remains absolutely unclear why, given the different economic developments in the euro-11 zone, a decision was apparently taken November 1999 on the basis of the inflationary pressures in three Member States, thus leading to an asymmetric monetary policy. It would have been quite possible to decide for a symmetric approach in spring 2000. Transparency means that all relevant information underlying the decision-making process has to be disclosed. Obviously, the ECB is still a young institution which lacks staff and experience. Forecasts and models still have to be developed, examined and proved before being made public. But the ECB has to increase transparency in order to gain credibility.

---

<sup>21</sup> Verbatim report of proceedings, October 26, 1999 : « Raising interest rates in a certain situation might be more akin or related to lifting your foot from the peddle as opposed to braking the momentum of the economy and in that way going slower. We all want to go forward.”

The transparency of the ECB will help the economic actors better to understand monetary policies. Openness will make European monetary union more successful. The European Union needs an appropriate and balanced policy mix where all components – the single monetary policy, 15 national fiscal policies and decentralised wage policies – contribute to economic growth and employment. Thus, the ECB is an important partner in the macro-economic dialogue which was launched at the Cologne summit on June 3 and 4, 1999 and organised for the first time on November 8, 1999 in Brussels. The macro-economic dialogue creates a platform from which the three different policy actors enter into a direct exchange of views. Its impact, however, is still very limited because binding commitments are not foreseen. But the macro-economic dialogue might help the independent European Central Bank to make a contribution to policy co-ordination and thus to growth and employment. Transparency is the first step for understanding the field and type of action of this particular participant.

<b>2008</b>		
B01-08	<b>Euro-Diplomatie durch gemeinsame „Wirtschaftsregierung“</b>	<i>Martin Seidel</i>
<b>2007</b>		
B03-07	<b>Löhne und Steuern im Systemwettbewerb der Mitgliedstaaten der Europäischen Union</b>	<i>Martin Seidel</i>
B02-07	<b>Konsolidierung und Reform der Europäischen Union</b>	<i>Martin Seidel</i>
B01-07	<b>The Ratification of European Treaties - Legal and Constitutional Basis of a European Referendum.</b>	<i>Martin Seidel</i>
<b>2006</b>		
B03-06	<b>Financial Frictions, Capital Reallocation, and Aggregate Fluctuations</b>	<i>Jürgen von Hagen, Haiping Zhang</i>
B02-06	<b>Financial Openness and Macroeconomic Volatility</b>	<i>Jürgen von Hagen, Haiping Zhang</i>
B01-06	<b>A Welfare Analysis of Capital Account Liberalization</b>	<i>Jürgen von Hagen, Haiping Zhang</i>
<b>2005</b>		
B11-05	<b>Das Kompetenz- und Entscheidungssystem des Vertrages von Rom im Wandel seiner Funktion und Verfassung</b>	<i>Martin Seidel</i>
B10-05	<b>Die Schutzklauseln der Beitrittsverträge</b>	<i>Martin Seidel</i>
B09-05	<b>Measuring Tax Burdens in Europe</b>	<i>Guntram B. Wolff</i>
B08-05	<b>Remittances as Investment in the Absence of Altruism</b>	<i>Gabriel González-König</i>
B07-05	<b>Economic Integration in a Multicore World?</b>	<i>Christian Volpe Martincus, Jennifer Pédussel Wu</i>
B06-05	<b>Banking Sector (Under?)Development in Central and Eastern Europe</b>	<i>Jürgen von Hagen, Valeriya Dinger</i>
B05-05	<b>Regulatory Standards Can Lead to Predation</b>	<i>Stefan Lutz</i>
B04-05	<b>Währungspolitik als Sozialpolitik</b>	<i>Martin Seidel</i>
B03-05	<b>Public Education in an Integrated Europe: Studying to Migrate and Teaching to Stay?</b>	<i>Panu Poutvaara</i>
B02-05	<b>Voice of the Diaspora: An Analysis of Migrant Voting Behavior</b>	<i>Jan Fidrmuc, Orla Doyle</i>
B01-05	<b>Macroeconomic Adjustment in the New EU Member States</b>	<i>Jürgen von Hagen, Iulia Traistaru</i>
<b>2004</b>		
B33-04	<b>The Effects of Transition and Political Instability On Foreign Direct Investment Inflows: Central Europe and the Balkans</b>	<i>Josef C. Brada, Ali M. Kutan, Tanner M. Yigit</i>
B32-04	<b>The Choice of Exchange Rate Regimes in Developing Countries: A Multinomial Panel Analysis</b>	<i>Jürgen von Hagen, Jizhong Zhou</i>
B31-04	<b>Fear of Floating and Fear of Pegging: An Empirical Analysis of De Facto Exchange Rate Regimes in Developing Countries</b>	<i>Jürgen von Hagen, Jizhong Zhou</i>
B30-04	<b>Der Vollzug von Gemeinschaftsrecht über die Mitgliedstaaten und seine Rolle für die EU und den Beitrittsprozess</b>	<i>Martin Seidel</i>
B29-04	<b>Deutschlands Wirtschaft, seine Schulden und die Unzulänglichkeiten der einheitlichen Geldpolitik im Eurosystem</b>	<i>Dieter Spethmann, Otto Steiger</i>
B28-04	<b>Fiscal Crises in U.S. Cities: Structural and Non-structural Causes</b>	<i>Guntram B. Wolff</i>
B27-04	<b>Firm Performance and Privatization in Ukraine</b>	<i>Galyna Grygorenko, Stefan Lutz</i>
B26-04	<b>Analyzing Trade Opening in Ukraine: Effects of a Customs Union with the EU</b>	<i>Oksana Harbuzyuk, Stefan Lutz</i>
B25-04	<b>Exchange Rate Risk and Convergence to the Euro</b>	<i>Lucjan T. Orlowski</i>
B24-04	<b>The Endogeneity of Money and the Eurosystem</b>	<i>Otto Steiger</i>
B23-04	<b>Which Lender of Last Resort for the Eurosystem?</b>	<i>Otto Steiger</i>
B22-04	<b>Non-Discretionary Monetary Policy: The Answer for Transition Economies?</b>	<i>Elham-Mafi Kreft, Steven F. Kreft</i>
B21-04	<b>The Effectiveness of Subsidies Revisited: Accounting for Wage and Employment Effects in Business R+D</b>	<i>Volker Reintaler, Guntram B. Wolff</i>
B20-04	<b>Money Market Pressure and the Determinants of Banking Crises</b>	<i>Jürgen von Hagen, Tai-kuang Ho</i>
B19-04	<b>Die Stellung der Europäischen Zentralbank nach dem Verfassungsvertrag</b>	<i>Martin Seidel</i>

B18-04	<b>Transmission Channels of Business Cycles Synchronization in an Enlarged EMU</b>	<i>Iulia Traistaru</i>
B17-04	<b>Foreign Exchange Regime, the Real Exchange Rate and Current Account Sustainability: The Case of Turkey</b>	<i>Sübüdey Togan, Hasan Ersel</i>
B16-04	<b>Does It Matter Where Immigrants Work? Traded Goods, Non-traded Goods, and Sector Specific Employment</b>	<i>Harry P. Bowen, Jennifer Pédussel Wu</i>
B15-04	<b>Do Economic Integration and Fiscal Competition Help to Explain Local Patterns?</b>	<i>Christian Volpe Martincus</i>
B14-04	<b>Euro Adoption and Maastricht Criteria: Rules or Discretion?</b>	<i>Jiri Jonas</i>
B13-04	<b>The Role of Electoral and Party Systems in the Development of Fiscal Institutions in the Central and Eastern European Countries</b>	<i>Sami Yläoutinen</i>
B12-04	<b>Measuring and Explaining Levels of Regional Economic Integration</b>	<i>Jennifer Pédussel Wu</i>
B11-04	<b>Economic Integration and Location of Manufacturing Activities: Evidence from MERCOSUR</b>	<i>Pablo Sanguinetti, Iulia Traistaru, Christian Volpe Martincus</i>
B10-04	<b>Economic Integration and Industry Location in Transition Countries</b>	<i>Laura Resmini</i>
B09-04	<b>Testing Creditor Moral Hazard in Sovereign Bond Markets: A Unified Theoretical Approach and Empirical Evidence</b>	<i>Ayse Y. Evrensel, Ali M. Kutan</i>
B08-04	<b>European Integration, Productivity Growth and Real Convergence</b>	<i>Taner M. Yigit, Ali M. Kutan</i>
B07-04	<b>The Contribution of Income, Social Capital, and Institutions to Human Well-being in Africa</b>	<i>Mina Balamoune-Lutz, Stefan H. Lutz</i>
B06-04	<b>Rural Urban Inequality in Africa: A Panel Study of the Effects of Trade Liberalization and Financial Deepening</b>	<i>Mina Balamoune-Lutz, Stefan H. Lutz</i>
B05-04	<b>Money Rules for the Eurozone Candidate Countries</b>	<i>Lucjan T. Orłowski</i>
B04-04	<b>Who is in Favor of Enlargement? Determinants of Support for EU Membership in the Candidate Countries' Referenda</b>	<i>Orla Doyle, Jan Fidrmuc</i>
B03-04	<b>Over- and Underbidding in Central Bank Open Market Operations Conducted as Fixed Rate Tender</b>	<i>Ulrich Bindseil</i>
B02-04	<b>Total Factor Productivity and Economic Freedom Implications for EU Enlargement</b>	<i>Ronald L. Moomaw, Euy Seok Yang</i>
B01-04	<b>Die neuen Schutzklauseln der Artikel 38 und 39 des Beitrittsvertrages: Schutz der alten Mitgliedstaaten vor Störungen durch die neuen Mitgliedstaaten</b>	<i>Martin Seidel</i>
<b>2003</b>		
B29-03	<b>Macroeconomic Implications of Low Inflation in the Euro Area</b>	<i>Jürgen von Hagen, Boris Hofmann</i>
B28-03	<b>The Effects of Transition and Political Instability on Foreign Direct Investment: Central Europe and the Balkans</b>	<i>Josef C. Brada, Ali M. Kutan, Taner M. Yigit</i>
B27-03	<b>The Performance of the Euribor Futures Market: Efficiency and the Impact of ECB Policy Announcements (Electronic Version of International Finance)</b>	<i>Kerstin Bernoth, Juergen von Hagen</i>
B26-03	<b>Sovereign Risk Premia in the European Government Bond Market (überarbeitete Version zum Herunterladen)</b>	<i>Kerstin Bernoth, Juergen von Hagen, Ludger Schulknecht</i>
B25-03	<b>How Flexible are Wages in EU Accession Countries?</b>	<i>Anna Iara, Iulia Traistaru</i>
B24-03	<b>Monetary Policy Reaction Functions: ECB versus Bundesbank</b>	<i>Bernd Hayo, Boris Hofmann</i>
B23-03	<b>Economic Integration and Manufacturing Concentration Patterns: Evidence from Mercosur</b>	<i>Iulia Traistaru, Christian Volpe Martincus</i>
B22-03	<b>Reformzwänge innerhalb der EU angesichts der Osterweiterung</b>	<i>Martin Seidel</i>
B21-03	<b>Reputation Flows: Contractual Disputes and the Channels for Inter-Firm Communication</b>	<i>William Pyle</i>
B20-03	<b>Urban Primacy, Gigantism, and International Trade: Evidence from Asia and the Americas</b>	<i>Ronald L. Moomaw, Mohammed A. Alwosabi</i>
B19-03	<b>An Empirical Analysis of Competing Explanations of Urban Primacy Evidence from Asia and the Americas</b>	<i>Ronald L. Moomaw, Mohammed A. Alwosabi</i>

B18-03	<b>The Effects of Regional and Industry-Wide FDI Spillovers on Export of Ukrainian Firms</b>	<i>Stefan H. Lutz, Oleksandr Talavera, Sang-Min Park</i>
B17-03	<b>Determinants of Inter-Regional Migration in the Baltic States</b>	<i>Mihails Hazans</i>
B16-03	<b>South-East Europe: Economic Performance, Perspectives, and Policy Challenges</b>	<i>Iulia Traistaru, Jürgen von Hagen</i>
B15-03	<b>Employed and Unemployed Search: The Marginal Willingness to Pay for Attributes in Lithuania, the US and the Netherlands</b>	<i>Jos van Ommeren, Mihails Hazans</i>
B14-03	<b>FCIs and Economic Activity: Some International Evidence</b>	<i>Charles Goodhart, Boris Hofmann</i>
B13-03	<b>The IS Curve and the Transmission of Monetary Policy: Is there a Puzzle?</b>	<i>Charles Goodhart, Boris Hofmann</i>
B12-03	<b>What Makes Regions in Eastern Europe Catching Up? The Role of Foreign Investment, Human Resources, and Geography</b>	<i>Gabriele Tondl, Goran Vuksic</i>
B11-03	<b>Die Weisungs- und Herrschaftsmacht der Europäischen Zentralbank im europäischen System der Zentralbanken - eine rechtliche Analyse</b>	<i>Martin Seidel</i>
B10-03	<b>Foreign Direct Investment and Perceptions of Vulnerability to Foreign Exchange Crises: Evidence from Transition Economies</b>	<i>Josef C. Brada, Vladimír Tomsík</i>
B09-03	<b>The European Central Bank and the Eurosystem: An Analysis of the Missing Central Monetary Institution in European Monetary Union</b>	<i>Gunnar Heinsohn, Otto Steiger</i>
B08-03	<b>The Determination of Capital Controls: Which Role Do Exchange Rate Regimes Play?</b>	<i>Jürgen von Hagen, Jizhong Zhou</i>
B07-03	<b>Nach Nizza und Stockholm: Stand des Binnenmarktes und Prioritäten für die Zukunft</b>	<i>Martin Seidel</i>
B06-03	<b>Fiscal Discipline and Growth in Euroland. Experiences with the Stability and Growth Pact</b>	<i>Jürgen von Hagen</i>
B05-03	<b>Reconsidering the Evidence: Are Eurozone Business Cycles Converging?</b>	<i>Michael Massmann, James Mitchell</i>
B04-03	<b>Do Ukrainian Firms Benefit from FDI?</b>	<i>Stefan H. Lutz, Oleksandr Talavera</i>
B03-03	<b>Europäische Steuerkoordination und die Schweiz</b>	<i>Stefan H. Lutz</i>
B02-03	<b>Commuting in the Baltic States: Patterns, Determinants, and Gains</b>	<i>Mihails Hazans</i>
B01-03	<b>Die Wirtschafts- und Währungsunion im rechtlichen und politischen Gefüge der Europäischen Union</b>	<i>Martin Seidel</i>
<b>2002</b>		
B30-02	<b>An Adverse Selection Model of Optimal Unemployment Assurance</b>	<i>Marcus Hagedorn, Ashok Kaul, Tim Mennel</i>
B29B-02	<b>Trade Agreements as Self-protection</b>	<i>Jennifer Pédussel Wu</i>
B29A-02	<b>Growth and Business Cycles with Imperfect Credit Markets</b>	<i>Debajyoti Chakrabarty</i>
B28-02	<b>Inequality, Politics and Economic Growth</b>	<i>Debajyoti Chakrabarty</i>
B27-02	<b>Poverty Traps and Growth in a Model of Endogenous Time Preference</b>	<i>Debajyoti Chakrabarty</i>
B26-02	<b>Monetary Convergence and Risk Premiums in the EU Candidate Countries</b>	<i>Lucjan T. Orłowski</i>
B25-02	<b>Trade Policy: Institutional Vs. Economic Factors</b>	<i>Stefan Lutz</i>
B24-02	<b>The Effects of Quotas on Vertical Intra-industry Trade</b>	<i>Stefan Lutz</i>
B23-02	<b>Legal Aspects of European Economic and Monetary Union</b>	<i>Martin Seidel</i>
B22-02	<b>Der Staat als Lender of Last Resort - oder: Die Achillesverse des Eurosystems</b>	<i>Otto Steiger</i>
B21-02	<b>Nominal and Real Stochastic Convergence Within the Transition Economies and to the European Union: Evidence from Panel Data</b>	<i>Ali M. Kutan, Taner M. Yigit</i>
B20-02	<b>The Impact of News, Oil Prices, and International Spillovers on Russian Financial Markets</b>	<i>Bernd Hayo, Ali M. Kutan</i>

B19-02	<b>East Germany: Transition with Unification, Experiments and Experiences</b>	<i>Jürgen von Hagen, Rolf R. Strauch, Guntram B. Wolff</i>
B18-02	<b>Regional Specialization and Employment Dynamics in Transition Countries</b>	<i>Iulia Traistaru, Guntram B. Wolff</i>
B17-02	<b>Specialization and Growth Patterns in Border Regions of Accession Countries</b>	<i>Laura Resmini</i>
B16-02	<b>Regional Specialization and Concentration of Industrial Activity in Accession Countries</b>	<i>Iulia Traistaru, Peter Nijkamp, Simonetta Longhi</i>
B15-02	<b>Does Broad Money Matter for Interest Rate Policy?</b>	<i>Matthias Brückner, Andreas Schaber</i>
B14-02	<b>The Long and Short of It: Global Liberalization, Poverty and Inequality</b>	<i>Christian E. Weller, Adam Hersch</i>
B13-02	<b>De Facto and Official Exchange Rate Regimes in Transition Economies</b>	<i>Jürgen von Hagen, Jizhong Zhou</i>
B12-02	<b>Argentina: The Anatomy of A Crisis</b>	<i>Jiri Jonas</i>
B11-02	<b>The Eurosystem and the Art of Central Banking</b>	<i>Gunnar Heinsohn, Otto Steiger</i>
B10-02	<b>National Origins of European Law: Towards an Autonomous System of European Law?</b>	<i>Martin Seidel</i>
B09-02	<b>Monetary Policy in the Euro Area - Lessons from the First Years</b>	<i>Volker Clausen, Bernd Hayo</i>
B08-02	<b>Has the Link Between the Spot and Forward Exchange Rates Broken Down? Evidence From Rolling Cointegration Tests</b>	<i>Ali M. Kutan, Su Zhou</i>
B07-02	<b>Perspektiven der Erweiterung der Europäischen Union</b>	<i>Martin Seidel</i>
B06-02	<b>Is There Asymmetry in Forward Exchange Rate Bias? Multi-Country Evidence</b>	<i>Su Zhou, Ali M. Kutan</i>
B05-02	<b>Real and Monetary Convergence Within the European Union and Between the European Union and Candidate Countries: A Rolling Cointegration Approach</b>	<i>Josef C. Brada, Ali M. Kutan, Su Zhou</i>
B04-02	<b>Asymmetric Monetary Policy Effects in EMU</b>	<i>Volker Clausen, Bernd Hayo</i>
B03-02	<b>The Choice of Exchange Rate Regimes: An Empirical Analysis for Transition Economies</b>	<i>Jürgen von Hagen, Jizhong Zhou</i>
B02-02	<b>The Euro System and the Federal Reserve System Compared: Facts and Challenges</b>	<i>Karlheinz Ruckriegel, Franz Seitz</i>
B01-02	<b>Does Inflation Targeting Matter?</b>	<i>Manfred J. M. Neumann, Jürgen von Hagen</i>
<b>2001</b>		
B29-01	<b>Is Kazakhstan Vulnerable to the Dutch Disease?</b>	<i>Karlygash Kuralbayeva, Ali M. Kutan, Michael L. Wyzan</i>
B28-01	<b>Political Economy of the Nice Treaty: Rebalancing the EU Council. The Future of European Agricultural Policies</b>	<i>Deutsch-Französisches Wirtschaftspolitisches Forum</i>
B27-01	<b>Investor Panic, IMF Actions, and Emerging Stock Market Returns and Volatility: A Panel Investigation</b>	<i>Bernd Hayo, Ali M. Kutan</i>
B26-01	<b>Regional Effects of Terrorism on Tourism: Evidence from Three Mediterranean Countries</b>	<i>Konstantinos Drakos, Ali M. Kutan</i>
B25-01	<b>Monetary Convergence of the EU Candidates to the Euro: A Theoretical Framework and Policy Implications</b>	<i>Lucjan T. Orłowski</i>
B24-01	<b>Disintegration and Trade</b>	<i>Jarko and Jan Fidrmuc</i>
B23-01	<b>Migration and Adjustment to Shocks in Transition Economies</b>	<i>Jan Fidrmuc</i>
B22-01	<b>Strategic Delegation and International Capital Taxation</b>	<i>Matthias Brückner</i>
B21-01	<b>Balkan and Mediterranean Candidates for European Union Membership: The Convergence of Their Monetary Policy With That of the European Central Bank</b>	<i>Josef C. Brada, Ali M. Kutan</i>
B20-01	<b>An Empirical Inquiry of the Efficiency of Intergovernmental Transfers for Water Projects Based on the WRDA Data</b>	<i>Anna Rubinchik-Pessach</i>
B19-01	<b>Detrending and the Money-Output Link: International Evidence</b>	<i>R.W. Hafer, Ali M. Kutan</i>

B18-01	<b>Monetary Policy in Unknown Territory. The European Central Bank in the Early Years</b>	<i>Jürgen von Hagen, Matthias Brückner</i>
B17-01	<b>Executive Authority, the Personal Vote, and Budget Discipline in Latin American and Caribbean Countries</b>	<i>Mark Hallerberg, Patrick Marier</i>
B16-01	<b>Sources of Inflation and Output Fluctuations in Poland and Hungary: Implications for Full Membership in the European Union</b>	<i>Selahattin Dibooglu, Ali M. Kutan</i>
B15-01	<b>Programs Without Alternative: Public Pensions in the OECD</b>	<i>Christian E. Weller</i>
B14-01	<b>Formal Fiscal Restraints and Budget Processes As Solutions to a Deficit and Spending Bias in Public Finances - U.S. Experience and Possible Lessons for EMU</b>	<i>Rolf R. Strauch, Jürgen von Hagen</i>
B13-01	<b>German Public Finances: Recent Experiences and Future Challenges</b>	<i>Jürgen von Hagen, Rolf R. Strauch</i>
B12-01	<b>The Impact of Eastern Enlargement On EU-Labour Markets. Pensions Reform Between Economic and Political Problems</b>	<i>Deutsch-Französisches Wirtschaftspolitisches Forum</i>
B11-01	<b>Inflationary Performance in a Monetary Union With Large Wage Setters</b>	<i>Lilia Cavallar</i>
B10-01	<b>Integration of the Baltic States into the EU and Institutions of Fiscal Convergence: A Critical Evaluation of Key Issues and Empirical Evidence</b>	<i>Ali M. Kutan, Niina Pautola-Mol</i>
B09-01	<b>Democracy in Transition Economies: Grease or Sand in the Wheels of Growth?</b>	<i>Jan Fidrmuc</i>
B08-01	<b>The Functioning of Economic Policy Coordination</b>	<i>Jürgen von Hagen, Susanne Mundschenk</i>
B07-01	<b>The Convergence of Monetary Policy Between Candidate Countries and the European Union</b>	<i>Josef C. Brada, Ali M. Kutan</i>
B06-01	<b>Opposites Attract: The Case of Greek and Turkish Financial Markets</b>	<i>Konstantinos Drakos, Ali M. Kutan</i>
B05-01	<b>Trade Rules and Global Governance: A Long Term Agenda. The Future of Banking.</b>	<i>Deutsch-Französisches Wirtschaftspolitisches Forum</i>
B04-01	<b>The Determination of Unemployment Benefits</b>	<i>Rafael di Tella, Robert J. McCulloch</i>
B03-01	<b>Preferences Over Inflation and Unemployment: Evidence from Surveys of Happiness</b>	<i>Rafael di Tella, Robert J. McCulloch, Andrew J. Oswald</i>
B02-01	<b>The Konstanz Seminar on Monetary Theory and Policy at Thirty</b>	<i>Michele Fratianni, Jürgen von Hagen</i>
B01-01	<b>Divided Boards: Partisanship Through Delegated Monetary Policy</b>	<i>Etienne Farvaque, Gael Lagadec</i>
<b>2000</b>		
B20-00	<b>Breakin-up a Nation, From the Inside</b>	<i>Etienne Farvaque</i>
B19-00	<b>Income Dynamics and Stability in the Transition Process, general Reflections applied to the Czech Republic</b>	<i>Jens Hölscher</i>
B18-00	<b>Budget Processes: Theory and Experimental Evidence</b>	<i>Karl-Martin Ehrhart, Roy Gardner, Jürgen von Hagen, Claudia Keser</i>
B17-00	<b>Rückführung der Landwirtschaftspolitik in die Verantwortung der Mitgliedsstaaten? - Rechts- und Verfassungsfragen des Gemeinschaftsrechts</b>	<i>Martin Seidel</i>
B16-00	<b>The European Central Bank: Independence and Accountability</b>	<i>Christa Randzio-Plath, Tomasso Padoa-Schioppa</i>
B15-00	<b>Regional Risk Sharing and Redistribution in the German Federation</b>	<i>Jürgen von Hagen, Ralf Hepp</i>
B14-00	<b>Sources of Real Exchange Rate Fluctuations in Transition Economies: The Case of Poland and Hungary</b>	<i>Selahattin Dibooglu, Ali M. Kutan</i>
B13-00	<b>Back to the Future: The Growth Prospects of Transition Economies Reconsidered</b>	<i>Nauro F. Campos</i>

B12-00	<b>Rechtsetzung und Rechtsangleichung als Folge der Einheitlichen Europäischen Wahrung</b>	<i>Martin Seidel</i>
B11-00	<b>A Dynamic Approach to Inflation Targeting in Transition Economies</b>	<i>Lucjan T. Orlowski</i>
B10-00	<b>The Importance of Domestic Political Institutions: Why and How Belgium Qualified for EMU</b>	<i>Marc Hallerberg</i>
B09-00	<b>Rational Institutions Yield Hysteresis</b>	<i>Rafael Di Tella, Robert MacCulloch</i>
B08-00	<b>The Effectiveness of Self-Protection Policies for Safeguarding Emerging Market Economies from Crises</b>	<i>Kenneth Kletzer</i>
B07-00	<b>Financial Supervision and Policy Coordination in The EMU</b>	<i>Deutsch-Franzosisches Wirtschaftspolitisches Forum</i>
B06-00	<b>The Demand for Money in Austria</b>	<i>Bernd Hayo</i>
B05-00	<b>Liberalization, Democracy and Economic Performance during Transition</b>	<i>Jan Fidrmuc</i>
B04-00	<b>A New Political Culture in The EU - Democratic Accountability of the ECB</b>	<i>Christa Randzio-Plath</i>
B03-00	<b>Integration, Disintegration and Trade in Europe: Evolution of Trade Relations during the 1990's</b>	<i>Jarko Fidrmuc, Jan Fidrmuc</i>
B02-00	<b>Inflation Bias and Productivity Shocks in Transition Economies: The Case of the Czech Republic</b>	<i>Josef C. Brada, Arthur E. King, Ali M. Kutan</i>
B01-00	<b>Monetary Union and Fiscal Federalism</b>	<i>Kenneth Kletzer, Jurgen von Hagen</i>
<b>1999</b>		
B26-99	<b>Skills, Labour Costs, and Vertically Differentiated Industries: A General Equilibrium Analysis</b>	<i>Stefan Lutz, Alessandro Turrini</i>
B25-99	<b>Micro and Macro Determinants of Public Support for Market Reforms in Eastern Europe</b>	<i>Bernd Hayo</i>
B24-99	<b>What Makes a Revolution?</b>	<i>Robert MacCulloch</i>
B23-99	<b>Informal Family Insurance and the Design of the Welfare State</b>	<i>Rafael Di Tella, Robert MacCulloch</i>
B22-99	<b>Partisan Social Happiness</b>	<i>Rafael Di Tella, Robert MacCulloch</i>
B21-99	<b>The End of Moderate Inflation in Three Transition Economies?</b>	<i>Josef C. Brada, Ali M. Kutan</i>
B20-99	<b>Subnational Government Bailouts in Germany</b>	<i>Helmut Seitz</i>
B19-99	<b>The Evolution of Monetary Policy in Transition Economies</b>	<i>Ali M. Kutan, Josef C. Brada</i>
B18-99	<b>Why are Eastern Europe's Banks not failing when everybody else's are?</b>	<i>Christian E. Weller, Bernard Morzuch</i>
B17-99	<b>Stability of Monetary Unions: Lessons from the Break-Up of Czechoslovakia</b>	<i>Jan Fidrmuc, Julius Horvath and Jarko Fidrmuc</i>
B16-99	<b>Multinational Banks and Development Finance</b>	<i>Christian E. Weller and Mark J. Scher</i>
B15-99	<b>Financial Crises after Financial Liberalization: Exceptional Circumstances or Structural Weakness?</b>	<i>Christian E. Weller</i>
B14-99	<b>Industry Effects of Monetary Policy in Germany</b>	<i>Bernd Hayo and Birgit Uhlenbrock</i>
B13-99	<b>Financial Fragility or What Went Right and What Could Go Wrong in Central European Banking?</b>	<i>Christian E. Weller and Jurgen von Hagen</i>
B12-99	<b>Size Distortions of Tests of the Null Hypothesis of Stationarity: Evidence and Implications for Applied Work</b>	<i>Mehmet Caner and Lutz Kilian</i>
B11-99	<b>Financial Supervision and Policy Coordination in the EMU</b>	<i>Deutsch-Franzosisches Wirtschaftspolitisches Forum</i>
B10-99	<b>Financial Liberalization, Multinational Banks and Credit Supply: The Case of Poland</b>	<i>Christian Weller</i>
B09-99	<b>Monetary Policy, Parameter Uncertainty and Optimal Learning</b>	<i>Volker Wieland</i>
B08-99	<b>The Connection between more Multinational Banks and less Real Credit in Transition Economies</b>	<i>Christian Weller</i>

- B07-99 **Comovement and Catch-up in Productivity across Sectors: Evidence from the OECD** *Christopher M. Cornwell and Jens-Uwe Wächter*
- B06-99 **Productivity Convergence and Economic Growth: A Frontier Production Function Approach** *Christopher M. Cornwell and Jens-Uwe Wächter*
- B05-99 **Tumbling Giant: Germany's Experience with the Maastricht Fiscal Criteria** *Jürgen von Hagen and Rolf Strauch*
- B04-99 **The Finance-Investment Link in a Transition Economy: Evidence for Poland from Panel Data** *Christian Weller*
- B03-99 **The Macroeconomics of Happiness** *Rafael Di Tella, Robert McCulloch and Andrew J. Oswald*
- B02-99 **The Consequences of Labour Market Flexibility: Panel Evidence Based on Survey Data** *Rafael Di Tella and Robert McCulloch*
- B01-99 **The Excess Volatility of Foreign Exchange Rates: Statistical Puzzle or Theoretical Artifact?** *Robert B.H. Hauswald*
- 1998**
- B16-98 **Labour Market + Tax Policy in the EMU** *Deutsch-Französisches Wirtschaftspolitisches Forum*
- B15-98 **Can Taxing Foreign Competition Harm the Domestic Industry?** *Stefan Lutz*
- B14-98 **Free Trade and Arms Races: Some Thoughts Regarding EU-Russian Trade** *Rafael Reuveny and John Maxwell*
- B13-98 **Fiscal Policy and Intranational Risk-Sharing** *Jürgen von Hagen*
- B12-98 **Price Stability and Monetary Policy Effectiveness when Nominal Interest Rates are Bounded at Zero** *Athanasios Orphanides and Volker Wieland*
- B11A-98 **Die Bewertung der "dauerhaft tragbaren öffentlichen Finanzlage" der EU Mitgliedstaaten beim Übergang zur dritten Stufe der EWWU** *Rolf Strauch*
- B11-98 **Exchange Rate Regimes in the Transition Economies: Case Study of the Czech Republic: 1990-1997** *Julius Horvath and Jiri Jonas*
- B10-98 **Der Wettbewerb der Rechts- und politischen Systeme in der Europäischen Union** *Martin Seidel*
- B09-98 **U.S. Monetary Policy and Monetary Policy and the ESCB** *Robert L. Hetzel*
- B08-98 **Money-Output Granger Causality Revisited: An Empirical Analysis of EU Countries (überarbeitete Version zum Herunterladen)** *Bernd Hayo*
- B07-98 **Designing Voluntary Environmental Agreements in Europe: Some Lessons from the U.S. EPA's 33/50 Program** *John W. Maxwell*
- B06-98 **Monetary Union, Asymmetric Productivity Shocks and Fiscal Insurance: an Analytical Discussion of Welfare Issues** *Kenneth Kletzer*
- B05-98 **Estimating a European Demand for Money (überarbeitete Version zum Herunterladen)** *Bernd Hayo*
- B04-98 **The EMU's Exchange Rate Policy** *Deutsch-Französisches Wirtschaftspolitisches Forum*
- B03-98 **Central Bank Policy in a More Perfect Financial System** *Jürgen von Hagen / Ingo Fender*
- B02-98 **Trade with Low-Wage Countries and Wage Inequality** *Jaleel Ahmad*
- B01-98 **Budgeting Institutions for Aggregate Fiscal Discipline** *Jürgen von Hagen*
- 1997**
- B04-97 **Macroeconomic Stabilization with a Common Currency: Does European Monetary Unification Create a Need for Fiscal Insurance or Federalism?** *Kenneth Kletzer*
- B-03-97 **Liberalising European Markets for Energy and Telecommunications: Some Lessons from the US Electric Utility Industry** *Tom Lyon / John Mayo*
- B02-97 **Employment and EMU** *Deutsch-Französisches Wirtschaftspolitisches Forum*
- B01-97 **A Stability Pact for Europe** *(a Forum organized by ZEI)*

---

ISSN 1436 - 6053

---

Zentrum für Europäische Integrationsforschung  
Center for European Integration Studies  
Rheinische Friedrich-Wilhelms-Universität Bonn

Walter-Flex-Strasse 3  
D-53113 Bonn  
Germany

Tel.: +49-228-73-1732  
Fax: +49-228-73-1809  
[www.zei.de](http://www.zei.de)