EXECUTIVE SUMMARY

The monetary dialogue falls short of true accountability. The widely perceived democratic deficit of the monetary union is mostly due to the Treaty’s limited provisions for central bank accountability, but the European Parliament has an important role to play to reconcile Europe’s citizens with their central bank.

Accountability does not mean criticism, it calls for an in-depth discussion of the many assumptions that lead the Eurosystem to draw its conclusions. The main limits of the monetary dialogue so far are:
- The Committee for Economic and Monetary Affairs is too large to set the stage for an in-depth cross-examination of the President of the ECB during his quarterly presentations.
- The debates are too general to challenge the President.
- There is a stark discrepancy between the time allotted to the President and the time allotted to questions and follow-ups.
- Many questions brought up during the monetary dialogue do not deal with monetary policy.

This evaluation calls for a serious re-appraisal. The aim ought to be to put more structure to the debate, to focus on the details of monetary policy, and to challenge answers that are sometimes controversial.

Given its limited in-house technical support, the Committee has been wise to seek the support of a panel of Experts. The questions presented to the Experts are consistently relevant and timely, but they do not orient the Briefing Notes sufficiently close to the questions that will be raised during the subsequent monetary dialogue; indeed, the link between the Briefing Notes and the questions actually put forward is tenuous.

A better use of the Experts is possible. It should start with personal Committee Member ownership of the questions put to the Experts. It should promote the preparation of the questions that will be raised during the monetary dialogue. It could involve more personal and direct (including though telephone conversations) involvement of the Experts in the preparation of the monetary dialogue.
After having attended one monetary dialogue on 12 September 2001, I prepared a note that is attached to the present briefing notes. My opinion has little changed since then. I still believe that the relationship between the ECB and the Committee for Economic and Monetary Affairs has not reached maturity. I also feel that the Committee could make a better use of the Monetary Panel of which I feel honoured to have been a member since 2000.

1. The Monetary Dialogue: Assessment

There is a widespread feeling that the monetary union suffers from a democratic deficit. As Eurobarometer polls regularly show, trust in the ECB is limited. Governments routinely publicly criticize the Eurosystem, which adds to the misguided but widely held perception that the central bank is not serving the public interest. Part of the blame lies with the poor communication strategy of the Eurosystem – with little effort by most national central banks to address public opinions – but another part is structurally due to the Treaty. As set forth by Art. 113, accountability is limited to the presentation of an Annual Report. The monetary dialogue goes beyond this minimum requirement since it allows for quarterly meetings, but it is not structured as an accounting exercise. It takes the form of an exchange of views between all the members of the Committee for Economic and Monetary Affairs and the ECB President. Symptomatically, it is not called “testimony” or “evidence”. This situation is harmful as it feeds into the general estrangement between European citizens and their institutions, which is increasingly visible and which erodes the appeal of the “European ideal” that has played a significant role in the past.

![Trust in European Parliament and in ECB](image)

Source: Eurobarometer 63, September 2005

It seems to me that the Committee has not yet seriously challenged the ECB in a way that would enhance accountability. There are many potential reasons for that:
- There seems to exist no consensus within the Committee to hold the ECB accountable. A strict reading of the Treaty supports this view but the perception of a democratic deficit suggests otherwise. The European Parliament is the only institution that can make progress in this direction.
- The monetary dialogue is structured as a general presentation by the President, which usually repeats the statements published in the ECB’s *Monthly Bulletin*, followed by questions and answers, with limited follow-up. The President of the ECB is given more time than the Committee members, who cannot ask for more than one follow-up question. In addition, the questions are sometimes repetitive and not bunched together, thus preventing a progressive deepening of the discussion.
- There seems to wide divergences of opinions within the Committee regarding the conduct of monetary policy (objectives, strategy, decisions). This is obviously normal within a political institution, but it allows the President, intentionally or not, to divide and conquer.
- Many questions refer to issues outside the scope of monetary policy. Recently, the Luxembourg strategy, the Stability and Growth Pact or the Constitution have absorbed most of the time. Since these issues are not the ECB’s responsibility, the President of the ECB is given a podium to air his views while escaping tight questioning on matters for which he is responsible.
- As noted in my previous report, the ECB position rests on considerable preparatory work by skilled staff. Challenging the President, therefore, requires getting into detailed arguments. Such a challenge need not imply disagreement about the conduct of monetary policy. Bringing to accountability does not mean disagreeing, it requires spelling out the minutiae of the web of assumptions and analyses that lead to policy actions. Partisan disagreements are likely to be less severe on the details than on the “bird picture”.

### 2. The Monetary Dialogue: Proposals

The current setup in principle brings face to face some fifty Committee members and the President. With the President speaking from a podium, the very notion of accountability is absent. The natural solution would be to delegate the task to small number of members. This would allow for a deeper exchange, including the possibility of challenging through follow-up questions the numerous assertions of the ECB President that are controversial and therefore debatable.

The long introductory statement by the President of the ECB is largely uninformative. It follows the ritual presentation of the ECB analysis published in every issue of the *Monthly Bulletin*. Reducing the length of this statement would allow a firmer view of the key issues and more free time for detailed questions.

The questions are typically general, hence a tendency to revisit over and again issues that have been previously covered. More importantly, it allows the President of the ECB to restate the bank’s position without having to get into details. Yet, it is in the details that the ECB policy can be fruitfully discussed. Inasmuch as possible, the questions should deal with particular aspects of monetary policy and financial stability.

### 3. The Panel of Experts

The idea of asking experts is excellent since the Committee does not have in-house experts, while the ECB’s work is very carefully prepared by high-level professionals and its Board Members are in regular contact with outside experts. Yet, there is little overlap between the Briefing Notes and the questions raised by Committee Members during the
monetary dialogue sessions. This discrepancy suggests that the Panel of Experts is not used optimally.

The questions put to us are generally highly relevant for accountability. They deal with timely issues and are usually precise. A brief review of recent Briefing Notes – including my own – indicates that they are sometimes too general to be directly usable. Truth is that we are not asked to link our reports to questions that could be put to the President, including guesses of what would be his likely answer and suggestions for follow-up questions. Gearing the briefing notes to actually planned questions might improve the usefulness of the Briefing Notes.

In addition, we receive no feedback on our Notes, so it is impossible to know whether they are useful and how they can be improved. Given the length of many Notes, I suspect that they are not studied in detail. I would strongly support any step that would help the Experts to learn how they can be helpful. It could include notes taken by the staff during a Committee meeting where the notes are discussed.

I have attended several meetings where Experts present their Briefing Notes. The attendance usually included between five and ten Committee Members, and about ten staff members. This supports the idea of delegating the monetary dialogue to some Members. On the other side, the discussions have always been of good quality, if sometimes rather general. We almost never discussed what questions could be asked and how the possible answers could we dealt with.

A key question is whether the Experts should be asked to meet the Committee each quarter. The advantage is that it would allow for a better understanding of the needs of the Committee and for personal contacts. Three questions arise: 1) Would enough Committee Members have time for a longer session? 2) To be useful, these meetings should be geared to preparing the monetary dialogue; would Committee Members be interested in such a drilling exercise? 3) Travelling to Brussels is time-consuming, and travel to Strasbourg even more so, which would require adequate compensation.

It is not clear to me whether the questions that we received originated from individual Committee Members who wished to prepare their interventions. Improving ownership of the questions could enhance the usage of the Experts’ answers. Going further, the Experts could be presented with a question that a Committee Member intends to raise during the Monetary Dialogue, asked to sharpen it and to provide relevant background information. Even better could be a follow-up telephone discussion between the Committee Member and the Expert who prepared the relevant Briefing Note.

In the event that the Committee would delegate the task to a small number of its Members, it would be possible to envision a tighter relationship with the Experts, including a pre-monetary dialogue briefing session and, possibly, assistance during the monetary dialogue. In the current set-up, such a deeper involvement is difficult to organize.