

The Macroeconomic Dialogue: dialogue instead of action?

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Policy learning and experimentation in EU economic governance:
Laboratory federalism in practice?

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1. Rationale and preconditions for Macroeconomic Policy Coordination (MEPC)

The interdependence between monetary, fiscal and wage setting policies, which can be complementary or conflicting, justifies MEPC:

- to reduce transaction costs
- to ensure complementary developments and
- to create win-win situations

MEPC can only work if some conditions are met:

Regarding the ability to coordinate:

- actors in the different areas of MEPC need strong peak organisations
- minimum level of coherence between the political interests of the different actors
- minimum level of coherence in the economic development of the region to be coordinated
- Do the actors have the power to implement decisions or compromises?

Regarding the responsibility of the actors:

- Do the constituencies to which actors are responsible and for which they should decide match?

2. Do the stakeholders / actors of a MEPC fulfil these conditions?

a. European Central Bank System

- strong peak organisation - ECB, with the power to implement decisions
- no coherence as regards economic development within the EMU
- responsibilities and interests of the members of the ECB System are not clearly defined

b. ECOFIN Council

- very few concrete competences and limited implementing powers as regards concrete fiscal policy decisions

- different economic situations lead to different policy needs
- responsibilities and interests of the members are guided mainly by national policy priorities

c. Social Partners

- very weak peak organisations and no implementing powers, especially as regards wage setting policies
- wage negotiations and decisions do not even take place at national level, but at company or branch level
- national organisations have different interests because of different economic situations; social partners of smaller countries in particular go for rent seeking
- responsibilities and interests lie with the national or branch level organisations

3. Reality of MEPC – the Macroeconomic Dialogue (MED)

- The conditions for MEPC at EMU level are not met – none of them.
- The macroeconomic policy mix is determined by the ECB at the European level and by the Governments at the national level. Wage policy has to carry most of the burden of external shocks or structural adjustments.
- MEPC cannot develop in a forum, which meets twice a year for 1.5 hours.
- Against this background, the MED cannot be more than a dialogue.
- In reality, the MED is not even a dialogue; it is at best an exchange of views between (some of) the participants.
- Even though the current situation is far from our starting point, where we said there would be a rationale for MEPC, the MED has its merits and shows –limited – positive results. It has contributed to:
 - ⇒ a better understanding of the points of view and analyses of the different actors
 - ⇒ improved policy making at lower levels by reducing uncertainty
 - ⇒ common learning processes as regards different interests and needs