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**The ECB and its watchers: 1999 - 2006**

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Page 1 of 6

## **Review: seven years of “The ECB and its watchers**

Ladies and gentlemen, it's a real pleasure for me to give you a short review of the ECB watcher conferences over the period from 1999 until today.

Most of you will know that I myself organised this event from 1999 until 2003. So be warned: my review of this conference and its impact might be slightly positively biased!

But nevertheless, my primary conclusion is very likely to be undisputed. For good reasons, the ECB watcher conferences organised by the CFS have become a central part of the yearly agenda for everyone interested in a serious monitoring of European monetary policy.

Starting in 1999, we wanted the conference to fulfil three main functions:

- Firstly, the professional ECB watchers should be provided with a regular platform for communicating their evaluation of ECB policy actions directly to the ECB policy makers (rather than addressing them indirectly through the press).
- Secondly, the conferences should give ECB representatives the opportunity to directly respond to the watchers' assessments.
- Finally, the conferences should generate an intellectual competition among the various monitoring groups.

Reviewing the conferences that have taken place so far, I can conclude that, happily, these objectives have been achieved.

Especially the direct communication between watchers and ECB officials is a special asset and a central part of the uniqueness of these events.

One could add that the conferences have not only generated an intellectual competition among watcher groups, but have also posed an intellectual challenge to the ECB and its officials participating in a wide array of panels.

As a result, not only the public, but also the ECB and the entire Eurosystem have learnt a lot from the exchange with watcher groups in the context of the annual watcher conferences.

Over the years, the topics discussed at these events have covered all issues that were and are still highly relevant for monetary policy in EMU. Let me give you some examples:

- Monetary policy strategy
- Monetary and fiscal policy coordination
- Central bank communication
- European financial integration
- EU enlargement
- International role of the euro
- Global imbalances

But I do not want to provide you with further details with respect to these topics. The large number of distinguished speakers (also at today's conference), the large number of interested participants and the wide press coverage tell me that I do not need to elaborate further on the relevance of these issues for European monetary policy.

I would, rather, like to stress another facet: eight annual ECB watcher conferences also

mean eight consecutive appearances of Otmar Issing at this event. Therefore, I would like to take a closer look at Otmar's role in these conferences.

## **Otmar Issing's role**

From the very beginning, the history of the ECB watcher conference has been inextricably linked to Otmar Issing.

Firstly, because I organised the first conference in 1999 in close cooperation with him. Secondly, because he has participated in every conference since it was established, providing explanations, comments, replies, opening or concluding remarks. A pretty good track record!

Throughout all the years as the ECB's chief economist, Otmar Issing has always stressed the importance of communication and transparency for an effective monetary policy. His annual participation in the watcher conferences shows just how rigorously he personally sticks to these two principles. His unbroken participation is a concrete example of central bank transparency and communication policy in action.

It also reflects Otmar Issing's general open-mindedness towards sceptics and outright critics alike. As an example, let me briefly recall the controversial issue about whether or not the Eurosystem should use its two-pillar-strategy for conducting monetary policy, or, more generally speaking, whether or not monetary aggregates should play a prominent role in monetary policy, a question of ongoing relevance.

In this context, substantial criticism has been voiced in recent years – not least during previous watcher conferences. Nevertheless, Otmar Issing always chose to face his critics

directly at such events in order to patiently and repeatedly explain the whys and wherefores underpinning the Eurosystem's current monetary policy strategy.

Let me conclude my short review with the following, rather personal thoughts regarding Otmar Issing's legacy. At each of the previous watcher conferences, I was impressed by Otmar's mild-mannered, calm style coupled with his resolute attitude. Otmar made it a habit to deal personally with each challenge. This commitment and tenacity is probably why he has enjoyed such an outstanding career as one of the few economists who have been exceptionally successful as an academic, as a policy advisor and, finally, as a policy maker.

His pragmatic approach to monetary policy was based on a number of strong convictions: the desirability of stable money, the need to take a medium-term policy perspective and the usefulness of exposing theories to the rigour of real-world data in order to draw inferences about their reliability for policy decisions.

As regards his work at the ECB, I would conclude that Otmar Issing was the brain behind the ECB's monetary policy strategy in the first years of EMU. Or, in other words, during this time, he was the implicit third pillar of this strategy.

Again and again, he has stressed the utmost importance of such an explicit strategy for monetary policy. In doing so, he has been quite successful in implementing a policy focusing on steadiness and medium-term objectives, thus fostering stability and hence the foundation of the policy itself.

In addition, the Eurosystem's monetary policy strategy has another advantage: monetary policy becomes largely independent of the influence of individual policy makers.

To a certain degree, an explicit monetary policy strategy leads to a “depersonalisation” of monetary policy. In this vein, monetary policy is likely to gain steadiness and predictability even at times when the composition of the policy making body changes.

Against the background of Otmar Issing’s prominent influence over the last eight years, this conclusion might seem paradox at first sight, but let me elaborate. Precisely because Otmar Issing has been so successful in nurturing the Eurosystem’s monetary policy strategy and thus the underlying basis for the stable euro, his forthcoming retirement at the end of May will not change the fundamental principles of the single European monetary policy.

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