COLLOQUE DU BICENTENAIRE

INDÉPENDANCE ET RESPONSABILITÉ

ÉVOLUTION DU MÉTIER DE BANQUIER CENTRAL

BICENTENNIAL SYMPOSIUM

INDEPENDENCE AND ACCOUNTABILITY

DEVELOPMENTS IN CENTRAL BANKING

Banque de France
INDÉPENDANCE ET RESPONSABILITÉ

ÉVOLUTION DU MÉTIER DE BANQUIER CENTRAL

INDEPENDENCE AND ACCOUNTABILITY

DEVELOPMENTS IN CENTRAL BANKING
COLLOQUE DU BICENTENAIRE

INDÉPENDANCE ET RESPONSABILITÉ

ÉVOLUTION DU MÉTIER DE BANQUIER CENTRAL

BICENTENNIAL SYMPOSIUM

INDEPENDENCE AND ACCOUNTABILITY

DEVELOPMENTS IN CENTRAL BANKING
Foreword

Central banking has evolved considerably over time, and the Banque de France, which is currently celebrating its two-hundredth anniversary, can testify to these changes. As we stand on the threshold of the third millennium, two new, complementary principles have become essential to central banks: independence and accountability.

The Banque de France chose these two concepts as the theme of the international symposium “Independence and Accountability: Developments in Central Banking” organised for its bicentennial at the Louvre Museum in Paris on 30 May 2000. The symposium endeavoured to further our understanding of these concepts, their relationship with the founding principles of our democracies, how they are connected to the emergence of globalised financial markets and why they are important to communication based on transparency vis-à-vis the public. With over 110 central bank governors and 400 participants from all over the world attending, it can be said that the entire international financial community examined these two key principles and their consequences for monetary policy. The symposium provided an opportunity for a very fruitful exchange of views and discussion of research findings.

The speeches, commentaries and discussions conducted during the symposium were of a very high quality. I am sure that the publication of the proceedings will help promote new developments in a field that depends not only on the central bankers themselves, but also on the public opinion which are so important in our democracies. I address my heartfelt thanks to the speakers from around the world who have contributed to the success of this exceptional day in the history of the Banque de France. Many thanks also to the Directorate General Economics and International, whose help has been invaluable in organising and overseeing this event.

Jean-Claude TRICHET
# CONTENTS

*About the Contributors* 163

*Symposium Summary* 175

## OPENING SPEECHES

**Introductory Speech**
Lionel JOSPIN, *Prime Minister* 189

**Introductory Remarks**
Jean-Claude TRICHET, *Governor, Banque de France* 195

## DEVELOPMENTS IN CENTRAL BANKING

Session chaired by Alan GREENSPAN, *Chairman, Board of Governors of the Federal Reserve System*

**The Evolution of the Banque de France: from Simple Administration to Active Management of Money**
Jacques de LAROSIÈRE, *Honorary Governor, Banque de France* 203

**EMI-ECB: a Ready-Made Central Bank**
Wim DUISENBERG, *President, European Central Bank* 215

**Comparative Analysis of the Central Banks of the World**
Peter KENEN, *Professor, Princeton University* 223

*Panel*

Andrew CROCKETT, *General Manager, Bank for International Settlements* 229
Wim DUISENBERG, *President, European Central Bank* 232
Bimal JALAN, *Governor, Reserve Bank of India* 233
Charles KONAN BANNY, *Governor, Central Bank of West African States* 237
Jacques de LAROSIÈRE, *Honorary Governor, Banque de France* 241
Guillermo ORTIZ, *Governor, Banco de México* 243
CENTRAL BANKS AND THE MARKETS
Session chaired by Edward GEORGE, Governor, Bank of England

Constraints and Tactics for the Conduct of Monetary Policy in Globalised Markets
Edward GEORGE, Governor, Bank of England

Panel
William McDonough, President, Federal Reserve Bank of New York
Sirkka Hämäläinen, Member of the Executive Board, European Central Bank
Yutaka Yamaguchi, Deputy Governor, Bank of Japan
James Wolfensohn, President, World Bank Group
Donald Johnston, Secretary General, Organisation for Economic Co-operation and development
David de Rothschild, Senior Partner, Banque Rothschild & Cie
Jean Tirole, Professor, University of Toulouse

DEMOCRACY AND THE CENTRAL BANKER’S ACCOUNTABILITY
Session chaired by Wim Duisenberg, President, European Central Bank

Central Bank Accountability for Monetary Policy: Transparency, Relations with Political Authorities, Public Opinion and the Media
Wim Duisenberg, President, European Central Bank

Panel
Charles Wyplosz, Professor, Graduate Institute of International Studies, Geneva
Ernst Welteke, President, Deutsche Bundesbank
Tito Mboweni, Governor, South African Reserve Bank
Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System
Samuel Brittan, Columnist, Financial Times

CONCLUDING OBSERVATIONS

Concluding Speech
Jacques Delors, Former President, Commission of the European Communities

Concluding Remarks
Michel Camdessus, Former Managing Director, International Monetary Fund

Participants
THE CONTRIBUTORS
About the Contributors

BRITTAN Samuel

*Columnist at the Financial Times*

Mr Brittan is a columnist at the Financial Times. His most recent books are *Capitalism with a Human Face* (Edward Elgar 1995, Fontana 1996) and *Essays, Moral, Political and Economic* (Edinburgh University Press – 1998). He is an Honorary Fellow of Jesus College, Cambridge, an Hon. Doctor of Letters (Heriot-Watt University, Edinburgh), an Hon. Doctor of the University of Essex. He has been Visiting Professor at the Chicago Law School, a Visiting Fellow of Nuffield College, Oxford, and an Honorary Professor of Politics at Warwick University. He has been awarded the George Orwell, Senior Harold Wincott and Ludwig Erhard prizes. He was a member of the Peacock Committee on the Finance of the BBC (1985-86). Mr Brittan was knighted in 1993 for “services to economic journalism” and also became, in 2000, a *Chevalier de la Légion d’Honneur*.

CAMDESSUS Michel

*Former Managing Director of the International Monetary Fund*

Mr Camdessus assumed office as Managing Director and Chairman of the Executive Board of the International Monetary Fund (IMF) on 16 January 1987. On 22 May 1996, the Executive Board of the IMF unanimously selected Mr Camdessus to serve a third five-year term as Managing Director, beginning 16 January 1997. He retired from the IMF on 14 February 2000. Mr Camdessus was educated at the University of Paris and earned postgraduate degrees in economics at the *Institut d’études politiques de Paris* and at the *École nationale d’administration*. Following his appointment as *administrateur civil* in the French Civil Service, Mr Camdessus joined the Treasury, in the Ministry of Finance and Economic Policies in 1960. After serving as *attaché financier* to the French delegation at the European Economic Community in Brussels from 1966 to 1968, he returned to the Treasury and went on to become Assistant Director in 1971, Deputy Director in 1974, and Director in February 1982. During the period 1978-84, Mr Camdessus also served as Chairman of the Paris Club, and was Chairman of the Monetary Committee of the European Economic Community from December 1982 to December 1984. In August 1984, Mr Camdessus was appointed Deputy Governor of the Banque de France, and was appointed Governor of the Banque de France in November 1984. He served in this position until his appointment as Managing Director of the IMF. Mr Camdessus was named Alternate Governor of the IMF for France in 1983 and Governor of the IMF in 1984.
CROCKETT Andrew  
*General Manager of the Bank for International Settlements*

Mr Crockett has been General Manager of the Bank for International Settlements since 1 January 1994 and Chairman of the Financial Stability Forum since April 1999.

Mr Crockett was educated at Cambridge and Yale universities.

From 1972 to 1989 he was a staff member of the International Monetary Fund, and from 1989 to 1993 an Executive Director of the Bank of England. In the latter capacity, he was a member of the Monetary Committee of the European Union, Alternate Governor of the International Monetary Fund for the United Kingdom, and a member (subsequently Chairman) of Working Party 3 of the OECD's Economic Policy Committee. He is a member of the Group of Thirty and of the Board of Trustees of the International Accounting Standards Committee.

De LAROSIÈRE Jacques  
*Honorary Governor of the Banque de France*

Mr de Larosière acts as an advisor for BNP Paribas. In this capacity, he participates in the meetings of the Steering Committee, contributing his expertise on international financial issues to the international strategy devised by BNP Paribas.

Mr de Larosière is a graduate of the *Institut d'études politiques* of Paris and an alumni of the *École nationale d'administration* (« 18 June » year group).

He is an honorary Inspector of Finance. He served as Deputy Director of the Bureau of Multilateral Affairs in the International Relations Department of the Treasury from 1967 to 1971. He went on to become Deputy Director, head of the Loans, Guarantees and other Interventions Bureau of the Treasury in 1971, head of International Affairs from 1971 to 1973, and of Financial Affairs from 1973 to 1974. In 1974 he was the director of Valéry Giscard d’Estaing’s private office at the Ministry of Economic Affairs and Finance, before heading the Treasury from 1974 to 1978 and serving as Managing Director of the International Monetary Fund from 1978 to 1987. He was the Governor of the Banque de France from January 1987 to August 1993, and the President of the European Bank for Reconstruction and Development (EBRD) from September 1993 to February 1998.

De ROTHSCHILD David  
*Senior Partner of Rothschild & Cie Banque*

Mr De Rothschild is Senior Partner of Rothschild & Cie Banque, Deputy-Chairman of NM Rothschild & Sons Ltd, Chairman of NM Rothschild Corporate Finance Ltd, member of the Board of Rothschild North America and of Compagnie Financière Martin Maurel, Chairman of Rothschild Canada Inc., and of Rothschild Europe BV. Mr De Rothschild is also Vice-Chairman of Rothschild AG (Zurich) and Chairman of the Management Board of Francarep.

Mr de Rothschild is member of the Supervisory Board of Casino, of Imerys, of ABN Amro and of Compagnie Financière Saint-Honoré.

Mr De Rothschild was educated at the *Institut d'études politiques* of Paris.
DELORS Jacques  
*Former President of the Commission of the European Communities*

Mr Delors has chaired the Research and Policy Group “Notre Europe” since October 1996. In May 2000 he was appointed President of the *Conseil de l’emploi, des revenus et de la cohésion sociale* (*CERC*). After a career at the Banque de France (1945-1962) Mr Delors became a member of the Economic and Social Council. He was then the head of social affairs of the General Planning Committee until 1969, when he was appointed General Secretary for Continuous Professional Training and Social Mobility (1969-1973). A few months later he became an advisor to Prime Minister Jacques Chaban-Delmas (1969-1972), first for social and cultural affairs, and then for economic, financial and social questions. He was an associate professor at the University of Paris Dauphine (1974-1979) and directed the research centre “Work and Society”. From 1973 to 1979, he was a member of the General Council of the Banque de France. He has also taught at the *École nationale d’administration*. A member of the French Socialist Party since 1974 and of its Executive Committee (1979), he was elected to the European Parliament in 1979 and was Chairman of the Economic and Monetary Committee until May 1981. He then became the Minister of Economics and Finance, a post he held until July 1984. He was elected Mayor of Clichy in March 1983 and held this office until being appointed President of the European Commission, where he remained for three terms until January 1995. From October 1992 to December 1999, he chaired UNESCO’s International Commission on Education for the twenty-first century (a report was published in 1996). Mr Delors has received honorary doctorates from twenty-four universities and was president of the Administrative Council of the College of Europe (Brugge).

DUISENBERG Wim  
*President of the European Central Bank*

Since 1 June 1998 Mr Duisenberg has been President of the European Central Bank. He was President of the European Monetary Institute from 1997 to 1998 and President of *De Nederlandsche Bank* from 1982 to 1997. Mr Duisenberg holds a Ph.D from the University of Groningen. He has held the following positions in particular: Minister of Finance of the Netherlands (1973-77), member and Vice-Chairman of the Executive Board of Rabobank Nederland (1978-81), Governor of the International Monetary Fund (January 1982 to June 1997), Chairman of the Committee of the Governors of the Central Banks of the member States of the EEC (1985 and 1993) and member of the Council of the European Monetary Institute (January 1994 to June 1997). Mr Duisenberg served as a member of the Board of Directors of the Bank for International Settlements (January 1982 to June 1997) before becoming Chairman of the Board and President (January 1988 to December 1990 and January 1994 to June 1997).
GEORGE The Rt Hon Sir Edward
Governor of the Bank of England

In January 1993 Sir Edward was appointed as Governor to a five-year term with effect from 1 July 1993 and in February 1998 to a further five-year term with effect from 1 July 1998.

Educated at Dulwich College and Emmanuel College, Cambridge, he graduated in Economics in 1962.

Sir Edward joined the Bank of England immediately on leaving Cambridge. He served as Assistant Director in charge of Gilt Edged Division, Executive Director at the Court of Directors, and Deputy Governor. Currently Sir Edward is Chairman of the Group of Ten Governors.

In 1999 he was appointed to the Privy Council and in 2000 he was knighted (Grand Cross of the Order of the British Empire).

GREENSPAN Alan
Chairman of the Board of Governors of the Federal Reserve System

Dr. Greenspan took office on 20 June 2000, as Chairman of the Board of Governors of the Federal Reserve System for a fourth four-year term ending on 20 June 2004. Dr. Greenspan also serves as Chairman of the Federal Open Market Committee. He originally took office as Chairman and to fill an unexpired term as a member of the Board on 11 August 1987. Dr. Greenspan was reappointed to the Board to a full fourteen-year term, which began 1 February 1992. He has been designated Chairman by Presidents Reagan, Bush, and Clinton.

Dr. Greenspan received a B.S. in economics (summa cum laude) in 1948, an M.A. in Economics in 1950, and a Ph.D. in economics in 1977, all from New York University. Dr. Greenspan also has performed advanced graduate study at Columbia University.

Previously Dr. Greenspan was Chairman and President of Townsend-Greenspan & Co., Inc., an economic consulting firm in New York City, Chairman of the President’s Council of Economic Advisers under President Ford and Chairman of the National Commission on Social Security Reform. Dr. Greenspan has also served as a member of President Reagan’s Economic Policy Advisory Board, a member of Time magazine’s Board of Economists, a senior adviser to the Brookings Panel on Economic Activity, and a consultant to the Congressional Budget Office. Dr. Greenspan has served as Chairman of the Conference of Business Economists, President and Fellow of the National Association of Business Economists, and Director of the National Economists Club.

Dr. Greenspan has received honorary degrees from Harvard, Yale, Pennsylvania, Leuven (Belgium), Notre Dame, Wake Forest, and Colgate universities.

HÄMÄLÄINEN Sirkka
Member of the Executive Board of the European Central Bank

Ms Hämäläinen has been a member of the Executive Board of the European Central Bank since 1 June 1998.

Ms Hämäläinen is Doctor of Economic Sciences and, since 1991, docent and adjacent professor in economics at the Helsinki School of Economics and Business Administration.
Ms Hämäläinen has served as Director of the Bank of Finland, responsible for macroeconomic analysis and monetary and exchange rate policy (1982-1991), member of the Board of the Bank of Finland (1991-1992), Chairman of the Board of the Financial Supervision Authority (1996-1997), Governor and Chairman of the Board of the Bank of Finland (1992-1998). Ms Hämäläinen has also served as member of the Economic Council of Finland (1992-1998) and has been, since 1996, a member of the Central Bank Governance Steering Committee of the Bank for International Settlements.

JALAN Bimal
Governor of the Reserve Bank of India

Dr. Jalan took over as the Governor of the Reserve Bank of India on 22 November 1997. At the time of his appointment as the Governor of the Reserve Bank in 1997, Dr. Jalan was the Member-Secretary of the Planning Commission in New Delhi.

Dr. Jalan was educated in the Presidency College, Calcutta, Cambridge and Oxford Universities. An economist by profession, he had held several administrative and advisory positions in the Government of India. He was the Chief Economic Adviser to the Union Government in the 1980’s, Banking Secretary between 1985 and 1989 and Finance Secretary, Ministry of Finance, Government of India. As Finance Secretary, he was also on the Central Board of Directors of the Reserve Bank of India. He was the Chairman of the Economic Advisory Council to the Prime Minister between January 1991 and September 1992. Dr. Jalan has also served as the Executive Director representing India on the Boards of the International Monetary Fund and the World Bank.


JOHNSTON Donald
Secretary General of the Organisation for Economic Co-operation and Development

Mr Johnston became Secretary General of the OECD on June 1996.

Mr Johnston studied Arts and Law at McGill University, graduating in Law as Gold Medallist in 1958, and then at the University of Grenoble. Mr Johnston taught fiscal law at McGill University in Montreal from 1963 to 1976. From 1988 on, Mr Johnston resumed his legal practice with Heenan Blaikie, which he had co-founded in 1972.

Mr Johnston served as Minister in several senior portfolios for ten years in the Canadian Parliament and has many years experience as a lawyer as well. Mr Johnston was an elected Member of Parliament from 1978 to 1988. He served in the Cabinet as President of the Treasury Board. He was also, at various times, Minister of State for Economic and Regional Development, Minister of Science and Technology, Minister of Justice and Attorney General of Canada. After the defeat of the Liberal government in 1984, Mr Johnston served in the official opposition of Parliament as critic (or shadow minister) for finance and
then for foreign affairs. In 1990, Mr Johnston became President of the Liberal Party of Canada and served a second term from 1992.

**JOSPIN Lionel**  
*Prime Minister*

Lionel Jospin has been Prime Minister since 2 June 1997. Educated at the Institut d'études politiques in Paris and at the École nationale d'administration, Lionel Jospin joined the Ministry of Foreign Affairs in 1965 as Secrétaire des Affaires étrangères. Appointed to the Economic Affairs Directorate, he was particularly involved in the large multilateral conferences on economic affairs. In 1969, Lionel Jospin decided to take leave of the civil service and diplomatic career that lay before him. From October 1970, he was seconded from the Ministry of Foreign Affairs to the University of Paris XI, first as senior lecturer and then as associate professor of economics as well as director of the business department at the Technology Institute of Paris Sceaux University, where he taught for eleven years.

At the 1977 local elections, Lionel Jospin became a Paris councillor for the eighteenth arrondissement where he was re-elected in March 1983. Elected as a National Assembly Deputy in the same arrondissement in 1981 and as the First Secretary of the Socialist Party on 24 January 1981, he headed the Socialist list in the European elections and was elected member of the European Parliament on 17 June 1984. In the general election of March 1986, he was re-elected Deputy. On 28 September 1986, he stood in a National Assembly by-election in the Haute-Garonne, at the request of the local party federation and was elected Deputy for the seventh constituency, thus giving up his mandates in Paris. On 12 May 1988, he was appointed Ministre d'État, Minister of Education, Research and Sport and resigned from his position as First Secretary of the Socialist Party. He remained Minister of Education until April 1992. After his defeat in the 1993 general election, he became once more First Secretary of the Socialist Party from October 1995 to November 1997. Re-elected on 1 June 1997 to the National Assembly, he resigned the day after from this public office upon being appointed Prime Minister.

**KENEN Peter**  
*Professor at the University of Princeton*

Mr Kenen is Walker Professor of Economics and International Finance at the University of Princeton.

A specialist in international economics, Mr Kenen earned his B.A. from Columbia University and his Ph.D. from Harvard.

Mr Kenen taught at Columbia from 1957 to 1971, where he served as Chairman of the Department of Economics and, in 1969-1970, Provost of the University. He was Director of the International Finance Section at Princeton from 1971 to 1999. Mr Kenen has been a consultant to the Council of Economic Advisers, the Office of Management and Budget, the Federal Reserve, the International Monetary Fund, and the U.S. Treasury. He was a member of President Kennedy's Task Force on Foreign Economic Policy and of the Review Committee on Balance of Payments Statistics. He is a member of the Council on Foreign Relations, the Group of Thirty, and the Economic Advisory Panel of the Federal Reserve Bank of New York. He has held research fellowships from
the Ford Foundation, the Social Science Research Council, and the German Marshall Fund, and he has been a Fellow of the Center for Advanced Study in the Behavioral Sciences, a Guggenheim Fellow, and Ford Research Professor at the University of California. In 1983-1984, he was a Professorial Fellow at the Australian National University; in 1987-1988, he was a Visiting Fellow at the Bank of England.

KONAN BANNY Charles
Governor of the Central Bank of West African States

Mr Konan Banny was appointed Governor of the Central Bank of West African Countries (BCEAO) on 1 January 1994 for a six-year period. His mandate was renewed by the Council of Ministers of West African Economic and Monetary Union (WAEMU) at its meeting held on 17 June 1999, for a six-year period starting from 1 January 2000.

Mr Konan Banny holds a university post-graduate degree in Economic and Commercial Sciences obtained in 1968 at the École supérieure des Sciences économiques et commerciales, Paris.

Mr Konan Banny started his career at the Headquarters of the BCEAO in 1976. He was successively Director of Administrative and Social Affairs, Central Director of Securities, Investment, Borrowing and Lending in 1977, and Central Director of Research in 1983. In 1986, he became National Director of the BCEAO for Ivory Coast, a position he has held concurrently with that of Alternate Governor of the International Monetary Fund (IMF) and of Special Adviser to the Governor of the BCEAO as from 1988. He was appointed interim Governor of the BCEAO from 1990 to 1993.

MBOWENI Tito
Governor of the South African Reserve Bank

In July 1998 Mr Mboweni was appointed as Governor designate to succeed the current Governor, Dr. C.L. Stals, upon his retirement in August 1999. Previously Mr Mboweni was Deputy Head of the ANC’s Department of Economic Planning (DEP), co-ordinator for Trade and Industrial Policy within the DEP and, in 1994, Minister of Labour in the South African Government.

Mr Mboweni received a BA (Honours equivalent) in Economics from the University of Lesotho and a MA in Development Economics from the University of East Anglia (England).

In 1980 Mr Mboweni joined the ANC and served in different capacities: member of the National Executive Committee, member of the National Working Committee, head of the Policy department, Chairman of the Economic Transformation Committee. He represented the ANC at the Transitional Executive Council (TEC) and co-chaired its Subcouncil on Finance. Leader of the Government Delegation to the National Economic Development and Labour Council (NEDLAC) he also served on a number of Cabinet structures.

Mr Mboweni is the current Chairperson of the Labour and Social Affairs Commission of the Organisation of African Unity (OAU).

In 1995, Mr Mboweni was selected by the World Economic Forum (WEF) as one of its Global Leaders of Tomorrow.
McDONOUGH William  
*President of the Federal Reserve Bank of New York*

Mr McDonough was appointed the eighth President and Chief Executive officer of the Federal Reserve Bank of New York on 19 July 1993. In that capacity, he serves as the Vice Chairman and a permanent member of the Federal Open Market Committee (FOMC), the group responsible for formulating the nation's monetary policy. Mr McDonough also serves as a member of the Board of Directors of the Bank for International Settlements and Chairman of the Basel Committee on Banking Supervision.

Mr McDonough earned a master’s degree in Economics from Georgetown University in Washington, D.C. in 1962, and a bachelor’s degree, also in economics, from Holy Cross College in Worcester, Mass., in 1956.

Mr McDonough joined the New York Fed in January 1992 as Executive Vice President. He became head of the bank’s markets group and the manager of open market operations for the FOMC. Mr McDonough retired from First Chicago Corp. and its bank, First National Bank of Chicago, in 1989 after a twenty-two-year career there. He was Vice Chairman of the Board and a Director of the bank holding company from 1986 until his retirement. Before joining the New York Fed, Mr McDonough served as an advisor to a variety of domestic and international organizations. Prior to his career with First Chicago, Mr McDonough was with the U.S. State Department from 1961 to 1967 and with the U.S. Navy from 1956 to 1961.

Mr McDonough is a member of the Board of Governors of the New York Academy of Sciences and the Board of Directors of the Foreign Policy Association. He is a member of the Board of Directors of the New York Philharmonic Orchestra, the Board of Directors of the Council on Foreign Relations, and the Board of Directors of the Americas Society. Mr McDonough also is a member of the Trilateral Commission, and the Group of Thirty, and Chairman of the board of trustees of The Economic Club of New York.

ORTIZ Guillermo  
*Governor of the Central Bank of Mexico*

Dr. Ortiz serves as Governor of Mexico’s Central Bank (*Banco de México*), having been appointed by President Ernesto Zedillo on 1 January 1998. From December 1994 to December 1997, Dr Ortiz served as Secretary of Finance and Public Credit in the Mexican Federal Government. Prior to heading the Finance Ministry, known as « Hacienda », he served briefly as Secretary of Telecommunications and Transportation at the outset of the Zedillo Administration.

Dr. Ortiz earned a Bachelor of Arts degree in Economics from National Autonomous University of Mexico (*Universidad Nacional Autónoma de México*), and later a Masters in Economics and a Ph.D. in Monetary Theory, International Economics and Econometrics from Stanford University in Palo Alto, California.

Dr. Ortiz has an extensive background in international economics, econometrics and finance. His past professional experience includes having served as Undersecretary of Finance and Public Credit from December 1988 to November 1994, during which time, he also held the position of President of the Banking Privatization Committee of the Ministry of Finance. Before that position, he was Executive Director at the International Monetary Fund (1984-1988) and Manager, as well as Deputy Manager in the Economic Research Bureau of
Banco de México (1977-1984), and an Economist in the Ministry of the Presidency of Mexico (1971-1972). Prior to his career in public service, Dr. Ortiz taught at universities in Mexico and the United States. From 1975-1976 he was a Professor at Stanford University. Between the years of 1977 and 1983 he was a Professor at the Autonomous Technological Institute of Mexico (Instituto Tecnológico Autónomo de México ITAM). In 1983 he was a Professor at El Colegio de México.

TIROLE Jean
Professor at the University of Toulouse

Mr Tirole is scientific director of the Institut d'économie industrielle, University of Social Sciences, Toulouse. He is also affiliated with CERAS, Paris and the MIT, where he holds a visiting position.

Mr Tirole received his Ph.D in economics from the MIT in 1981, engineering degrees from École polytechnique, Paris (1976) and from École nationale des Ponts et Chaussées, Paris (1978) and a “Doctorat de troisième cycle” in decision mathematics from the University Paris IX (1978).

Before moving to Toulouse in 1991, he was professor of economics at the MIT. In 1998, he became president of the Econometric Society, whose executive committee he has served on since 1993. He is president-elect of the European Economic Association.

TRICHET Jean-Claude
Governor of the Banque de France

Jean-Claude Trichet was appointed governor of the Banque de France in 1993. He is president of the Monetary Policy Council of the Banque de France and a member of the Council of the European Central Bank. He is also Alternate Governor of the International Monetary Fund and a member of the Board of Directors of the Bank for International Settlements.

Jean-Claude Trichet is an Ingénieur civil des mines (civil mining engineer), a graduate of the Institut d'études politiques de Paris and has a degree in economics. From 1966 to 1968 he was a research engineer and gained admission to the École nationale d'administration in 1969.

In 1971, he was appointed Inspector of Finance and, in 1974, was assigned to various posts in the General Inspectorate of Finance at the Finance Ministry. He was subsequently assigned to the Treasury where in 1976 he was appointed secretary general of the Comité interministériel pour l'aménagement des structures industrielles (CIASI), the interministerial committee for adapting industrial structures. In 1978, he became economic adviser to the private office of the Minister for Economic Affairs. From 1978 to 1981, he was adviser on industry, energy and research for the President of the Republic. He subsequently became head of Division of Official Development Assistance and then Deputy Director, head of Bilateral Affairs from 1981 to 1984. In 1985, he was appointed head of Division of International Affairs at the Treasury and was chairman of the Paris Club from 1985 to 1993. In 1986, he directed the private office of the Minister for Economic Affairs, Finance and Privatization and in 1987 became head of the Treasury.
WELTEKE Ernst
President of the Deutsche Bundesbank

Mr Welteke took office on 1 September 1999 as President of the Deutsche Bundesbank and Member of the Governing Council of the European Central Bank.

Mr Welteke graduated in economics (Universities of Marburg and Frankfurt am Main). Apprenticed as an agricultural machine mechanic from 1959 to 1962 he obtained the school-leaving examination (Abitur) at the Hessenkolleg Wiesbaden in 1965.

Since 1995 he has served as President of the Land Central Bank in Hesse and Member of the Central Council of the Deutsche Bundesbank. Previously Mr Welteke was employed in the office of the Prime Minister of Hesse (1972-1974) and was member of the Hessian Land Parliament (1974-1995). From 1984 to 1991 he was Chairman of the parliamentary group of the Social Democratic Party in the Hessian Land Parliament, except for the period from April 1987 to February 1988. He was Hessian Minister of Economics, Transport and Technology from 1991 to 1994 and Hessian Minister of Finance from 1994 to 1995.

WOLFENSOHN James
President of the World Bank Group

Mr Wolfensohn, the World Bank Group’s ninth president since 1946, established his career as an international investment banker with a parallel involvement in development issues and the global environment. Mr Wolfensohn became president of the World Bank Group on 1 June 1995. On 27 September 1999, he was unanimously reappointed by the Bank’s Board of Executive Directors to a second five-year term as president beginning 1 June 2000.

Mr Wolfensohn holds B.A. and LL.B. degrees from the University of Sydney and an M.B.A. from the Harvard Graduate School of Business.

In 1996, together with the International Monetary Fund, Mr Wolfensohn initiated the Heavily Indebted Poor Countries Initiative (HIPC). In January 1999, Mr Wolfensohn introduced the Comprehensive Development Framework (CDF). Prior to joining the Bank, Mr Wolfensohn was President and Chief Executive Officer of James D. Wolfensohn Inc., his own investment firm set up in 1981. He relinquished his interests in the firm upon joining the World Bank.

Before setting up his own company, Mr Wolfensohn was Executive Partner of Salomon Brothers in New York and head of its investment banking department, Executive Deputy Chairman and Managing Director of Schroders Ltd. in London, President of J. Henry Schroders Banking Corporation in New York, and Managing Director, Darling & Co. of Australia.

Currently, he is also Chairman of the Board of the Institute for Advanced Study at Princeton University.
WYPLOSZ Charles
Professor at the Graduate Institute of International Studies, Geneva

Professor of Economics at the Graduate Institute of International Studies (Geneva) since 1995, Mr Wyplosz previously was professor of Economics and Associate Dean for Research and Development at INSEAD (The European Institute For Business Administration) and Director of the Doctoral Programme and Professor of Economics at the École des hautes études en Sciences sociales. Mr Wyplosz is a graduate from Harvard University (Ph.D in Economics). As visiting professor Mr Wyplosz has taught at the University of Pennsylvania (Philadelphia), at the Massachusetts Institute of Technology, at Harvard University, at the University of California (Berkeley) and at the Kiel Institute of World Economics. Mr Wyplosz is Managing Director of EconomicPolicy and Associate Editor since 1989 for The Journal of The Japanese and International Economies. He also served as member of the Editorial Board of European Economic Review and of Annales d’économie et de statistiques. He is Programme Director of the International Macroeconomics programme at CEPR.

YAMAGUCHI Yutaka
Deputy Governor of the Bank of Japan

Mr Yamaguchi took office as Deputy Governor of the Bank of Japan on 1 April 1998, when the new Bank of Japan Law became effective. He is one of nine members of the Bank’s Policy Board which is responsible for all major decisions at the Bank.

Mr Yamaguchi was educated at the University of Tokyo. He joined the Bank of Japan in 1964. After serving as a staff economist and a senior manager in research and policy-related divisions in the Bank, he was appointed Chief Representative in the Americas in 1989. He was named Director of Research and Statistics Department in 1991, and then Director of Policy Planning Department in 1992. Prior to his present position, he was appointed Executive Director in 1996, and was mainly in charge of monetary policy planning and market operations. Following his appointment as Deputy Governor, he was named Chairman of the Committee on the Global Financial System (the former Euro-currency Standing Committee) of the Bank for International Settlements. He is also a member of the PM’s Economic Council, and of the Group of Thirty.
Opening the symposium, the Prime Minister, Lionel Jospin, recalled that “the independence of central banks was a matter of pragmatic necessity:” it helps persuade economic players that price stability is essential. However, “independence does not signify solitude,” since controlling inflation concerns everyone. “Independence also means dialogue (...) and it calls for accountability [which implies] transparency of decisions and the ability—and the necessity—to account for one’s actions.” “The Banque de France achieved its independence and its accountability gradually” stressed Lionel Jospin.

Governor Jean-Claude Trichet pointed out that price stability is “both a necessary condition and a normal consequence of a smooth-functioning democracy.” He added that “it is one of our major responsibilities to communicate with public opinion as a whole as directly and precisely as possible” and stressed the three challenges facing central banks today:

– to stay on course for price stability;

– to preserve financial stability;

– to assume fully their responsibilities of transparency and accountability to the general public.

Presentations by Jacques de Larosière, Honorary Governor of the Banque de France, Wim Duisenberg, President of the ECB Governing Council and Peter Kenen, Professor at Princeton University, were followed by three round tables and debates on:

Session 1: Developments in central banking

Session 2: Central banks and the markets

Session 3: Democracy and the central banker’s accountability

In their concluding observations, Jacques Delors, former President of the Commission of the European Communities, stressed the need to develop the economic and political aspects of European Union, while Michel Camdessus, Honorary Governor of the Banque de France and former Managing Director of the International Monetary Fund, pointed out that “we are in a context of stable, low inflation and we can now count on public support and respect from the markets.”

NB: This summary was drafted by Jean-Yves Greuet and Patrick Haas, Directorate General Economics and International.
1. Developments in Central Banking

1.1. The Foundations of Price Stability: Independence and Accountability

The opening speeches by the Prime Minister, Lionel Jospin, and the Governor of the Banque de France, Jean-Claude Trichet, underlined the extent to which independence and accountability lie at the heart of “developments in central banking”, the subject chosen for the first session chaired by Alan Greenspan. Jacques de Larosière for France and Wim Duisenberg for the new euro area, recounted the emergence of the two founding principles of monetary stability as illustrated by the examples of a 200-year old central bank and an institution that has just celebrated its first two years of existence.

The two fundamental principles of a modern “monetary constitution”

The participants first noted that the concepts of “independence” and “accountability” were rather unknown to central banks only thirty years ago. As shown by a brief summary of the history of the Banque de France (see box *in fine*), the transformation of the financial system and the advent of global capital markets in the 1980s changed both the way in which monetary policy is conducted and citizens’ expectations. In countries with developed capital markets, central banks have evolved from being tools of the government’s economic and financial policy into independent authorities principally devoted to maintaining a fundamental public good: price stability and confidence in the currency. In other countries, central banks continue to be more an instrument designed to support economic activity.

The independence of central banks can therefore be considered to be of the features reflecting the balance of powers in modern democracies. In exchange for their institutional independence, central banks must always respect the mandate assigned to them by the citizens, as the latter expect central banks to act independently of any political considerations while being directly accountable to them. The example of the European Central Bank is enlightening; created as a ready-made institution, it illustrates the completion of the historical process which has led to the establishment of “monetary constitutions” in modern democracies.

– Independence

Numerous speakers and participants stressed that the institutional independence of central banks is based not only on economic theory or empirical studies, but is also the fruit of very pragmatic historical evolution. This independence has been established both with respect to the political authorities (government, parliament) and to private interests. It implies a regular dialogue between the central bank and the political authorities so as to reduce any potential conflict between monetary and fiscal policies. From a functional point of view, independence requires a collegial decision-making process and homogeneous external institutional communication.
Accountability

Accountability is the necessary counterpart to the independence granted by the public authorities. It entails a duty of communication, transparency of results and respect for the assigned mandate. Independence implies establishing a dialogue between the central bank and the political institutions. However, central banks are directly accountable only to the public at large. It is hence their duty to communicate, through press conferences, by publishing comprehensive analyses in periodic bulletins, through regular parliamentary hearings or media interviews. The internal decision-making process of central banks has thus become much more transparent than in the past.

Implementing these principles

The Banque de France

Well before the Act of 1993, and despite a formal dependence vis-à-vis the government, the Banque de France gradually became more autonomous over the two centuries of its history, which correspond to major periods of monetary stability (see box in fine). In the eyes of the general public, the Banque de France has always played a major role as an unconditional proponent of the value of money and has been, more recently, a key player in the construction of Monetary Union. It is also perceived as providing numerous public services on behalf of the State.

Between 1992 and 1993, a multiparty consensus approved by the French population emerged to amend the Constitution, ratify the Maastricht Treaty and modify the legal status of the Banque de France to grant it institutional independence in order to achieve price stability.

The ECB

The ECB is unique in that it directly inherited, via the Treaty, the independence and responsibility befitting its tasks, which are reflected in its decision to publish a quantitative price stability objective. This objective is defined as a year-on-year increase of below 2% in the Harmonised Index of Consumer Prices (HICP) for the euro area, which must be maintained over the medium term.

The strategy for maintaining this objective is based on two “pillars”. The first pillar assigns a prominent role to money. In this respect, the ECB monitors developments in the M3 monetary aggregate, in particular, for which it has set out a reference value. The second pillar covers a broad range of leading indicators of inflationary pressure.

The communication policy derived from this strategy is not simple and cannot rely upon a single indicator or forecast. It translates into the regular publication of an assessment of risks to price stability in the euro area.
1.2. Comparative Analysis of the Business of Central Banking and Recent Developments in the Field

The symposium was a unique occasion to bring together virtually all central bank governors. All areas of the globe were represented and it provided an exceptional opportunity to exchange views. Despite this geographical diversity, and notwithstanding a number of topics still at issue, the participants found that a consensus had recently been reached on certain subjects. Inspired by the picture drawn by professor Kenen, the round table participants presented new points of view, based on their geographical origins—Wim Duisenberg and Jacques de Larosière from Europe, Bimal Jalan from Asia, Charles Konan Banny from Africa and Guillermo Ortiz from America—or their comparative views on the topics under consideration, e.g. Andrew Crockett (BIS).

The topics which enjoyed a consensus

– The final objective of price stability

The central bankers and academics present acknowledged that central banks cannot do everything and that operating a trade-off between inflation and unemployment is illusory. The foremost task of a central bank today is to maintain price stability. The widespread adoption of this objective in itself reflects the progressive spread of political democracy and the respect of the market economy rules. There is indeed a link between price stability and the smooth functioning of democracy. The independence of central banks is the hallmark and the prerequisite of the trust economic agents place in their currency.

– Responsibility for the definition of price stability

Central bankers have unanimously stated that it is up to them, as independent and responsible central banks, to set price stability objectives. It should be pointed out that sometimes there is no other alternative, especially in monetary unions, which may not necessarily have a federal government to assume such responsibilities. This is the case in the euro area for the ECB, and also in Africa for the Central Bank of West African States and the Bank of Central African States.

– Measuring price stability

Central bankers today agree that a certain statistical bias must be taken into account; price stability corresponds to a slightly positive inflation rate. Moreover, one must distinguish between current inflation, over which central banks have no direct and immediate influence, and forecasts of future inflation at a specified horizon. Effective and preventive action targets this time horizon, given the long and variable time lapses necessary for monetary policy measures to take effect. Besides, a distinction should be made between underlying and so-called “transitory” inflation. The latter does not necessarily call for corrective measures.
The major issues

– The changeover to inflation targeting

For some speakers, inflation targets should not really be considered as new concepts, at least with regards to their content. Their specificity nevertheless lies in their transparency, as well as in their influence on the credibility of central banks, which need to meet a precise objective. Is it advisable to fix a price target (“zero inflation”), and therefore to strive to correct deviations in either direction, and under what speed should we return to the initial price level?

Can central banks that have not set inflation targets push transparency even further by, for example, formalising a “Taylor rule” or publishing inflation forecasts? What emerged from the discussions was that, in such circumstances, “monetary communication” could be achieved through the regular publication of analyses of risks to price stability, without resorting to the publication of official inflation forecasts.

– Financial stability

Discussions on financial stability, the boundaries of which are hard to define, provided representatives of international financial organisations with an opportunity to elucidate their viewpoints. What weight should be given to asset prices in monetary policy? Is it possible to reconcile financial and price stability, or could the two be contradictory? The discussions showed that central banks should not appear to guarantee the level of asset prices. They should, however, take wealth effects into account in their assessments of business conditions, for consumer behaviour may be influenced by stock prices and fluctuations in the value of loan collateral. Taking wealth effects into account raises problems of concept, assessment and even interpretation. Lastly, central banks cannot turn a blind eye to financial bubbles. Their involvement in banking supervision is particularly justified in this regard.

– Choosing an exchange rate regime

This topic gave rise to several contributions. The currency crises of the 1990s appear to have prompted certain countries to choose between two extreme solutions; either a free floating rate regime, or a fixed-rate regime centred on a currency board. The exchange-rate regime chosen is, in fact, crucial to monetary policy; are free floating regimes the only ones that allow an independent monetary policy to be maintained? It emerged from the discussions that this dilemma is not all that clear-cut. The European Monetary System (EMS), for instance, was an example of fixed, yet adjustable exchange rates which worked well. It could serve as a framework for the central European countries before joining the euro.
2. Central Banks and the Markets

2.1. Central Banks Faced with the Rapid Expansion of Capital Markets

As Edward George pointed out, the development of international capital markets and their globalisation in the 1980s have transformed the strategies and tactics of central banks. All participants at the round table, central bankers, academics, representatives of international organisations and market operators, acknowledged, to varying degrees, that the capital markets have made it more difficult to attain both external and internal equilibrium. Monetary policy should take this new balance of power into account, not only in the way in which it is conducted, but also in the principles governing its communication policy.

The new constraints stemming from financial globalisation

There was a broad agreement among central bankers that international integration is beneficial, particularly because it fosters the free circulation of goods, services and capital. The globalisation of markets facilitates the optimal allocation of resources. This is confirmed by the experiences of emerging economies, which have benefited from rapid and massive inflows of capital, even though some of these countries have come up against new constraints, such as the volatility of short-term capital flows or insufficiently diversified economies.

In return for international integration, economies are increasingly exposed to external shocks. Monetary policies must take this into account in choosing between stabilising aggregate demand or the exchange rate. Internal stabilisation could engender greater exchange-rate volatility and vice versa. The choice between internal and external stabilisation is in itself determined by various factors (country size, real convergence with partner economies, soundness and level of development of the financial system), but it is now impossible to ignore the interactions between internal and external equilibria.

The markets’ impact on central bank communication policy

– New challenges for central banks

The increasingly efficient and integrated markets have the power to sanction policies which may be perceived as being too short-term oriented or pro-cyclical. Central banks are thus led to develop a forward-looking scenario, distinct from that of the market, in order to try to anchor some of the operators’ expectations.

Central banks must, in addition, be able to explain their policies to the markets. Round table participants, central bankers and market operators alike, admitted that anticipating monetary policy direction is an inherent part of the markets’ activity. This interplay between central banks and the markets is governed by signals; a good communication policy should enable markets to factor in the actions of central banks and limit the extent of future adjustments. Therefore, to be effective, central banks do not necessarily need to catch markets unawares; they should help them to anticipate what will happen in the short and medium-term monetary policy.
A sensitive dialogue

Central banks sometimes perceive market behaviour as being barely rational from a macroeconomic point of view. Too frequently, markets appear to act in a short-term perspective and also tend to overreact. For instance, current market analyses seem to be stressing Europe’s lag, compared with the United States, in the field of new technologies; just as they appear to be underrating Europe’s transition to a new phase of stable and sustained growth. Central bank communication geared at markets consists in recalling the role played by economic fundamentals in the medium-term, and smoothing market expectations. Its purpose is to remind markets that monetary policy is not arbitrary, even though it may rely upon indicators which sometimes highlight areas of uncertainty.

The markets sometimes see central bank behaviour as being discretionary, particularly in times of cyclical turning-points. These differences in perception are partly unavoidable; central banks have to tame inflation through preventive action, which is not always easy to explain at the start of a new economic cycle.

3. Democracy and the Central Bankers’ Accountability

3.1. Central Banks and Public Opinion

In this last round table, the speakers concentrated chiefly on the issue of ‘‘independent’’ central banks’ accountability and how they communicate with the general public.

Political accountability

– The ECB

By publishing its definition of the price stability objective, the Governing Council of the ECB has translated its mandate into concrete terms. It can thus be held accountable if it does not meet this clear quantified target. The fact that this responsibility is borne jointly by the members of its decision-making bodies explains why the deliberations are confidential and encourages discussions that are not bound by national considerations. The ECB demonstrates its accountability at each hearing before the European Parliament to explain its activity, just as it does to the public and the media at its monthly press conferences.

– A medium-term horizon

This concept of political accountability is shared by many other central banks, which acknowledge that, in the final analysis, they are accountable to the citizens of their countries. The one condition, however, is that their “monetary constitution” insulates them from short-term political considerations, since their mandate to maintain price stability falls within a medium-term horizon, as do their means of action.
The need for transparency vis-à-vis the general public

- Remaining predictable

A few participants pointed out that there have been calls for central banks to pre-announce each interest-rate move and forex intervention. Obviously, such a policy would render central banks’ policy tools inoperative. In the longer term, however, it is very important that central banks’ actions be predictable. They publish their assessment of developments in the economic fundamentals, thus signalling their future course of action.

- Limits to transparency

Some speakers stressed the fact that communication is an integral part of central banks’ strategies. This does not mean that all information should be released. Publication should be selective, in particular regarding internal debates or the preparatory work for monetary policy decisions. Central banks should not disclose the contents of their next measures in detail, in particular since these measures are contingent on an environment that is not fully predictable. However, the publication of an overall assessment of inflationary pressure was deemed a substantial step forward, both in Europe and the United States.

In short, independence has made central banks far more “politically” accountable to public opinion. Jean-Claude Trichet summed this up by saying “the independent central bank is accountable to French public opinion, the European Central Bank to the 293 million Europeans, and the Federal Reserve System to the 265 million Americans.”

Speaking on the bicentennial of the Banque de France, President Jacques Chirac remarked that “Two hundred years ago, the foundation of the Banque de France was the prelude to a major monetary reform: the creation of the Germinal franc, which gave France more than a century of monetary stability. The introduction of the euro represents a similar change, for us and the ten other European states embarked on the creation of a stronger, more united Europe. (...) More than ever in this new environment, the Banque de France must prove adaptable. Like other institutions, and actually even more than the others since it follows the rapid pace of capital markets, it must adjust its means of action and adapt to the twenty-first century.”

The president of the Republic had then praised the decision to focus the symposium on the theme of central bank independence and accountability.

“Independence only makes sense if it is used as a means for central banks to become more accountable. All currencies (...) are based on confidence, and confidence depends on a constant exchange with those whose work and initiative form the backbone of the economy. By opening up to the outside world, the Banque de France has laid the cornerstone of its success and its credibility vis-à-vis capital markets, and of its acceptance by the citizens in a democratic society.”

He continued “The increasing inter-penetration of economies and the emergence of a single capital market also generate a new form of responsibility for all those in charge of the main financial equilibria. (...) I hope that central banks will be able to reflect on these issues with the necessary realism and ambition. The
bicentennial coincides with the moment when the Banque de France has become an integral part of the Eurosystem.”

Echoing these words, the international financial community, which was largely represented at this symposium, joined Wim Duisenberg in wishing the Banque de France “two hundred years of success as a founding member of the Eurosystem.”

---

**The Evolution of the Banque de France:**

*from Simple Administration to Active Management of Money*

(taken from the speech by Jacques de Larosière, Honorary Governor of the Banque de France)

The Banque de France was founded on 18 January 1800. It was initially registered as a private company, but gradually carved out a role as the bankers’ bank. This made the Bank a key factor in the public’s confidence in money throughout the 19th century and up until the end of 1914. The definition of the “Germinal” franc, which was laid down by law in 1803 with respect to a given weight in silver and gold, remained unchanged for 125 years.

**The Creation and Development of a Modern Central Bank (1800-1940)**

The Evolving Role of the Bank and Developments in Monetary Policy until 1914

As France applied the gold standard, its monetary policy consisted chiefly in maintaining sufficient gold reserves to adequately cover currency in circulation. Its main instrument was the discount rate. However, the banknote issuer’s margin for manoeuvre was constrained by the need to preserve confidence in the currency by maintaining high coverage. The concept of monetary policy as we understand it today did not emerge until 1914.

Developing Modern Monetary Policy Instruments (1914-1940)

By the end of the war, the franc had lost four-fifths of its value in gold. The Poincaré government implemented a stabilisation policy which confirmed the devaluation of the franc in 1928. The Bank’s means of intervening on the money market were reformed and discount houses were created to serve as intermediaries between the central bank and the credit institutions. The Exchange Stabilisation Fund was created in October 1936 to intervene discreetly on the market in order to regulate the franc’s parity. This came only a few months after the amendments to the statutes in July 1936, which reinforced the authority of the government. This was the prelude to the nationalisation of the Bank on 2 December 1945, at which its privilege of issue was extended indefinitely.

**Controlling Credit in a Context of Regulated Money (1944-1986)**

In 1944, monetary policy was subordinated to the need to rebuild the country. The instruments were gradually forged in response to the needs of the economy. They spanned a wide range, acting both on the liquidity of the banking system and that of the economy. In fact, the policy was designed more to influence lending to the economy than as a monetary policy as we know it today.

Controlling Bank Liquidity and the Distribution of Credit

A number of more complex mechanisms were designed to supplement the discount rate. Until then, monetary policy had consisted chiefly in setting the individual discount ceilings whereby each bank obtained financing at a fixed rate. The decision to work towards European integration changed the outlook of monetary policy, and new instruments were devised. In 1967, the creation of reserve requirements gave the monetary authorities a means of acting on banking liquidity that was similar to the techniques used in the Anglo-Saxon countries to influence the volume of credit.
Credit ceilings in a debt-financing economy

Opting for an interventionist policy led France to emphasise direct controls over credit volumes in a context of fairly undeveloped capital markets. The reasoning behind the debt-financing economy was to provide the economy with cheap money and credit. Imposing credit controls made it possible to curtail the excessive creation of money and distribution of credit as well as to keep interest rates low enough to ensure growth and full employment.


**Economic Policy Reajusts to the Expansion of the Financial System**

With the move towards globalisation and an open economy, the intermediate objectives mainly rest on interest rates. France decided to deregulate trade, capital movements and foreign investment. The face of the economic and financial system changed radically. Credit controls were definitively abolished with the repeal of currency controls. At the same time, the failure of devaluations led to the adoption of a policy focused on wage moderation and a stable currency to improve the structural competitiveness of the productive system. Maintaining price stability and consolidating public finances became the objectives of macro-economic policy.

**A Shift in France’s Monetary Policy Strategy**

A consensus emerged to assign the central bank the objective of maintaining a stable currency. For almost twenty years, France’s monetary policy referred to two intermediate targets. The first was ensuring the external stability of the franc. The second was the internal target of controlling growth in the money supply. The Act of 4 August 1993 assigned the Banque de France the task of “formulating and implementing monetary policy with the aim of ensuring price stability”. The price increase as measured by the consumer price index could not exceed 2% both for the year underway and in the medium term.

**The New System: Introducing Market Instruments**

The Banque de France’s means of intervention were overhauled in 1986. The reform concerned first and foremost the money market, which was opened up to all economic agents. It now offers investors a wide range of securities, together with a range of instruments designed to hedge against interest-rate risks. There were two official procedures for intervening on the market: repurchase tenders and repurchase agreements initiated by banks.

The Banque de France has been independent since 1993. Within the framework of its responsibilities and in accordance with the guidelines set by the French authorities, it has helped France qualify for the single currency. The results achieved have positioned France among the best-performing countries and have placed it at the very heart of the process of creating a single currency. The Banque de France now assumes its responsibilities within the framework of the ESCB and participates in the formulation and implementation of the monetary policy decided by the Governing Council of the ECB.
OPENING SPEECHES

Lionel Jospin
Jean-Claude Trichet
Ladies and Gentlemen Governors,
Chairmen and Directors General,
Ladies and Gentlemen,

On this occasion celebrating the bicentenary of the Banque de France, I am grateful to Governor Trichet for selecting as the topic of this colloquium “independence and accountability in the business of central banking.” The increased power and influence of central banks, the greater visibility of their role and of their leaders, have inevitably focused attention on their role, their efficiency, the principles underlying their action and, in some cases, their place in the democratic way of life. In addition to myself, many other speakers—governors of central banks, researchers and managers of commercial banks—will have the opportunity to express their viewpoints. I am convinced that the conclusions of Jacques Delors and of Michel Camdessus will be particularly enlightening on an essential aspect of the functions which many of you are currently exercising or have previously held.

1. Independence and Accountability are Inseparable Requirements for Central Banks

The independence of central banks has been far more a matter of pragmatic necessity than financial or ideological

Based on the psychology of economic actors, it serves a social objective: safeguarding price stability. Inflation reduces the purchasing power of the consumer and the value of household savings, particularly those of the less well-off. The definition and the conduct of domestic monetary policy by an independent central bank would appear to strengthen the confidence of economic actors in future monetary developments. By providing households and business firms with greater visibility of how monetary policy is conducted, the independence of central banks convinces them that price stability is one of the fundamentals of economic policy, while at the same time fostering the appropriate anticipatory behaviour to obviate the return of inflation.

Independence signifies ignoring pressure, whatever its source

While it is always bestowed by the will of the people and never counter to it, the independence of central banks goes, as I see it, beyond independence from political, executive and legislative power. For me it also equates with
independence from private or collective economic interests, autonomy versus the short term, frequently imposed by capital markets and, finally, freedom of action vis-a-vis the monetary policy of other central banks. Naturally, this in no way precludes co-operation between central banks.

**Independence does not signify the solitude of central banks**

Controlling inflation is of concern to us all. While naturally sensitive to the concerns of their electorates, governments are not *ipso facto* incapable of withstanding the temptations of inflation. Since 1982, French governments have continuously and determinedly led the fight against inflation, at a time when the Banque de France was not yet formally independent. The independence of a central bank responsible for ensuring monetary stability does not in any case exonerate the government from its responsibilities in the fields of fiscal, tax, social and competition policies designed both to ensure economic growth and to avoid unduly high inflation.

**Independence also means dialogue**

The independence of a central bank does not require that the economic and political protagonists should remain steadfastly mute on the subject of monetary policy, just as an independent central bank is free to comment as it deems fit on fiscal or tax policy matters.

In any event, there can be no independence without an internal dialogue, without collegiality. The women and men who take decisions regarding monetary policy must stem from multifarious horizons. The expression of differing viewpoints is vital for the preparation of rational collegiate options. It goes without saying that collegiality, enabling free-ranging internal discussion, goes hand in hand with strict verbal discipline towards the outside world, particularly capital market operators.

**Independence implies accountability**

I use the term here in the English sense which implies not only the fact of being responsible, but also the transparency of decisions and the ability—and the necessity—to account for one’s actions. Though independent, central bankers should not be so isolated as to endanger their mission. Independence presupposes the ability to take criticism and to respond to it.

The accountability of central banks therefore requires that their leaders be capable of discussing and debating calmly with governments, parliaments, business circles and public opinion. Those countries having the longest traditions of central bank independence—I am referring primarily to the United States—have demonstrated that this task is far from insurmountable and that it may even become an essential instrument in the implementation of monetary policy.
2. The Banque de France Achieved its Independence and its Accountability Gradually

*Its formal dependency on the state by no means precluded the defence of the national currency*

You will be aware that the Banque de France, the third oldest after the central banks of Sweden and England, was founded on January 18, 1800 by First Consul Napoléon Bonaparte. Having been crowned Emperor, Napoleon declared in 1806: “It is my desire for the Bank to be in the hands of the government, but not unduly so.” This statement might have been construed as signifying that the Banque de France and the French political authorities had been on uneasy terms, if not at loggerheads since that time. But in fact, from the Germinal franc to Poincaré’s devaluation in 1928, the entire nineteenth century was marked by impressive stability in our currency which, in its turn, helped to foster a culture of stability in the French, which the monetary vicissitudes of the second half of the twentieth century have failed to obliterate.

*Independence of spirit preceded gradual statutory independence*

If the Banque de France appeared to be dependent during this period, it was less dependent on political authority than on private economic interests, the so-called “two hundred families”. The 1936 reform, replacing the fifteen “regents” by twenty counsellors, most of them State-appointed, followed by its nationalisation in 1945, rendered the bank subservient to the public interest while, in reality, increasing its autonomy. Before the 1993 Act conferring legal independence on the Banque de France and that of 1998 supplementing it, our central bank had already acquired a considerable independence of spirit and had become highly autonomous in its operations thanks mainly to the personality of its Governors—more specifically Michel Camdessus and Jacques de Larosière—both of them in the room today. Since that time, the work of Jean-Claude Trichet, assisted by the members of the Monetary Policy Council, has contributed considerably to the role of an independent Banque de France in the successful defence of the currency and the setting up of Economic and Monetary Union.

The independent Banque de France has assumed fresh responsibilities. It has, for example, taken its place in the political debate in France. While it is true that it was much criticised during a difficult period for the French economy (in the early 90s), its role as defender of the currency has been well understood by public opinion. Furthermore, the introduction of the single European currency, a truly historical monetary reform, has contributed to the period of growth from which our economy is fully benefitting today. While the Banque de France is now integrated into the European central bank system, its chief role today seems to me to be that of providing a harmonious link between the European Central Bank, business, political leaders and our fellow citizens. And I am not forgetting the important tasks entrusted to the Banque de France by the State, in particular the settlement cases of individual overindebtness. And it behoves me to tell the entire staff of this rather special public enterprise, the Banque de France, that the government is fully aware of the services they are rendering the country. Naturally, the Banque de France, like all the European central banks, will have
to continue its modernisation, while conserving its specific identity. The introduction of euro coins and bills in 2002 will render this even more essential.

3. In its Turn, the European Central Bank is Feeling the Importance of Independence and Accountability

France accepted this independence from the outset

While not being part of our tradition, the independence of the ECB is far from being a concession which our European partners were obliged to wrest from us. We have never considered the creation of the ECB to be tantamount to abandoning our sovereignty but, on the contrary, the means whereby monetary sovereignty could be most efficiently shared in a unified economic area. Moreover, the independence of the ECB, like the entire Economic and Monetary Union project, was duly ratified by the French people in the September 1992 referendum after a heated debate.

The independence of the ECB reinforces that of the banque de France

Pursuant to the terms of the Treaty, the latter has, it is true, lost part of its independence to the European institution. However, in the subtle relationships to be created between the ECB and the national central banks, it is necessary both to respect the principle of subsidiarity and to accept the pooling at a European level of some of the responsibilities of national central banks.

Guaranteed by the Treaty, ratified by parliaments and peoples, bolstered by governments, the independence of the ECB does not preclude discussion with the political authorities. Such a fruitful dialogue between political and monetary leaders enables the definition of the right policy mix at European level. I am not unaware that the Treaty assigns one main objective to the ECB, namely “to maintain price stability”. But the Treaty also stipulates that, provided that this objective is not endangered, the ECB “supports the general economic policies in the Community”.

It is our wish for this dialogue to develop

This should initially be between the economic authorities, and then between the latter and the ECB. For this reason, in 1997 France requested the creation of the Euro 11, an informal meeting of Ministers of Finance to which the Chairman of the ECB is invited. The next Chairman of the Euro 11, Laurent Fabius, will endeavour to take the dialogue a step further in this forum. In an other direction, France is desirous for the Chairman of the Ecofin Council to participate on a more regular basis in the meetings of the Council of the Governors of the ECB on a non-voting basis. This is provided for in article 113 of the Treaty, and meetings are already attended systematically by the European Commissioner responsible for Economic Affairs.

During its presidency, France will be making proposals to strengthen the role of Euro 11 through improved co-ordination of economic policy. As the ECB is fully
aware, we have everything to gain by fostering the credibility of the Euro through more homogeneous practices and public utterances. Our wish to see a more effective Euro 11 is perfectly in line with the historical ambition of the Economic and Monetary Union.

Cooperation between political and monetary leaders is particularly appropriate in the field of foreign exchange. Under the terms of the Treaty, the political authority defines the main orientations, while the ECB is responsible for exchange rate operations. Currently the performance of the Euro, which I do not find entirely satisfactory (even if it has fortunately recovered in the last days) calls for reflexion—and maybe joint action—on the part of the ECB and the Euro 11 plus better coordination between the major monetary areas.

The ECB is also responsible to the European parliament and to public opinion

This signifies the need for transparency and consistency towards European citizens in the manner in which the ECB performs its mission. I know that it is the intention of the ECB, and more especially of its Chairman, Wim Duisenberg, to carry out this sometimes delicate—but highly necessary—task of explaining its monetary policy.

The responsibility of the ECB will also depend on its successful participation in the introduction of Euro bills and coin—in barely eighteen months hence. To ensure the success of this monetary reform, I would wish the coordination between the political authorities of the member states and the ECB to be beyond reproach. France intends to make good use of its presidency of the European Union to make a certain number of proposals along these lines, in particular by encouraging the exchange of experiences between States and by mobilising not only, and mainly, banks but also business firms and individuals between now and 1 January 2002. All in all, if the ECB, in taking over from the European Monetary Institute, has turned out to be a “ready-made” central bank, as stated in one of the topics of your symposium, it is only when it has succeeded in becoming a central bank with a “hands on” currency that it will have fully achieved its credibility.

Ladies and Gentlemen,

Contrary to its British counterpart, the Banque de France has never been termed an “old lady”. Despite its respectable age it is henceforth in the midst of an unprecedented European adventure. Together with the European Central Bank, its task will be to help our fellow citizens to live with the new currency. Its independence is the guarantee of its adaptability. Its accountability is total and more decisive than ever.

Above and beyond the economic importance of these changes, beyond even the monetary symbol of the Euro, what is at stake is the commitment of our citizens to the European project. Through its constant dialogue with government and public opinion, I am convinced that the Banque de France will successfully accomplish this historic task in the service of us all.
Introductory Remarks

Jean-Claude Trichet
Governor
Banque de France

Mr Prime Minister, allow me to thank you for having accepted to open this symposium, which brings together central bank governors from all over the world, demonstrating nicely that our world is more unified than ever and that we all feel the need to reflect together upon the changes in our business.

Mr Prime Minister,
Ladies and Gentlemen Governors,

The subject of our symposium is focused upon the business of central banking, how it has evolved and the constraints upon it. In this regard, let me recall two statements that are indicative of the interest shown in the activity of our institutions: an American Senator, William Roger, one day declared: “since the beginning of time, there have been three big discoveries: fire, the wheel and the central bank.” However, Milton Friedman declared that money is “too serious a matter to be entrusted to central banks.” I would be inclined to prefer the judgement of a politician to that of an economist, although it seems to me that Milton Friedman’s opinion refers more to fears of an excessively activist policy than to the legitimacy of central banks in maintaining price stability.

The programme of the symposium is organised around three topics:

– Developments in the business of central banking.

– Central banks and the markets.

– The responsibility of the central banker in a democracy guided by public opinion.

I do not wish to take the place of the coming speakers. I would simply say that these three approaches, the first historical, the second centred on the influence of central banks on the main money markets and the third concerning their duties towards the citizens, appear to me to be particularly representative of the challenges facing our institutions today.
From among these challenges, I would single out three:

– The first is to stay on course for price stability.

– The second is to preserve financial stability, and by that I mean the efficient, balanced functioning of all the components of the financial system.

– The third challenge, with which I would like to conclude, is for central banks to fully assume their responsibilities of transparency and accountability to the general public. This is what we are striving to do within the Eurosystem. As part of this system, the Banque de France has found new youth, because it is at the same time two hundred years old as France’s national central bank and a little more than one year old as a central bank belonging to a European institution with global responsibilities.

1. Firstly, Price Stability

One of the basic characteristics of an effective monetary tool is that it fully plays its role of conserving value. It is therefore natural that central banks be assigned the objective of price stability.

But it is remarkable that the priority given to price stability has gradually become globalised over the last twenty-five years, accompanied—if not preceding—an equally global trend towards central bank independence.

It would no doubt be interesting to clarify the underlying causes of this phenomenon and to gain a better understanding of the reasons behind such a large-scale, across-the-board trend.

Allow me to very tentatively put forward one hypothesis. Perhaps the deep-seated changes that have taken place in the monetary domain result in part from a much broader, global historical movement towards the gradual generalisation of political democracy and market economy rules.

1.1. The Generalisation of Political Democracy

The citizens of a democracy need to be able to have confidence in their currency. It is no coincidence that, in all the countries that have undergone the unfortunate experience of inflation and hyperinflation, this phenomenon very seriously harmed democracy and was charged with totalitarian dangers. The stability of money thus seems to be both a necessary condition and a normal consequence of a smoothly-functioning democracy.

The independence of a central bank, guaranteeing monetary stability for all on the basis of a multipartisan consensus, is perhaps also closely related to democratic progress. We have yet to identify the new Montesquieu, who could demonstrate that modern democracy now naturally goes hand-in-hand with a cross-party, independent monetary authority, ensuring a sound and stable monetary foundation for this modern democracy to flourish. This hypothesis remains to be rigorously put to the test. However, I recall that the institutions of our political democracy very carefully examined the question of central bank

Like all independent central banks around the world, and like the European Central Bank and the Eurosystem itself, the independent Banque de France was born of a powerful cross-party consensus and its greatest permanent challenge is showing itself to be worthy of the honour bestowed upon it and the confidence placed in it.

1.2. The Generalisation of the Market Economy

For a market economy to function properly, its currency must be reliable and stable, contracts must not be rendered uncertain by inflation, and economic agents, businesses and households must have confidence in their currency.

This concept of confidence is essential. In a market economy based on a multitude of micro-economic decisions, confidence cannot be decreed by a central body and cannot be imposed by forceful arguments. On the contrary, confidence requires the genuine, spontaneous adhesion of investors, households and companies.

What is true in a specific national economy or in a monetary union, such as in Europe, is even more patent at the international level. The market interest rates for a currency in an international economy with freely-circulating capital are the arithmetic expression of the confidence of investors around the world, and not just domestic investors.

Monetary confidence—a necessary, if not sufficient condition for economic prosperity—thus appears to be a unique concept, which applies at both the national and international levels and is guaranteed by an independent central bank pursuing the priority of price stability.

2. Secondly, the Preservation of Financial Stability

The concept of financial stability is much more complex than that of price stability. It assumes financial soundness and the harmonious interaction of the different financial institutions, and not merely commercial banks and investment banks. It also requires the efficient operation without abrupt movements of the various money markets, both nationally and internationally.

This is a vast subject, about which I would like to make just three points as a central banker:

– First, it has been sometimes claimed that the central bank’s main task of maintaining price stability is incompatible with the objective of financial stability. For example, monetary rigour, which is necessary to combat inflation, could weaken the banking system. Conversely, any support given
by a central bank to a weak banking system could reflect a lax monetary stance, leading to inflation.

I do not subscribe to this view, firstly because price stability seems to me to be the indispensable bedrock of financial stability. Price stability is a necessary, if not sufficient condition for financial stability. It is therefore clear that the two notions are complementary, rather than fundamentally contradicting each other.

Secondly because central banks have a permanent, close relationship with credit institutions and thus appear particularly well-suited to playing a supervisory role over the banking system, which is itself central to financial stability.

And lastly because the responsibilities of central banks regarding the smooth functioning of payment systems place them precisely at the intersection between monetary policy, the supervision of individual credit institutions and that of the main technical interbank systems.

– Second, some people wonder about the type of connection that should be established between price stability and the stability of financial assets. Would it not be appropriate to ask central banks to fight asset price inflation with the same determination as they do consumer price inflation?

This is a very big issue and we are all expecting a great deal from today’s exchange of viewpoints. I personally have three conceptual reference points: firstly, central banks cannot and must not act as guarantors of a specific level of asset prices; secondly, wealth effects must, however, be carefully taken into account when conducting monetary policy; lastly, the experience of the 1980s shows that we can no longer neglect potential financial bubbles, even if consumer price stability is completely ensured in the immediate term and appears to be so in the medium term.

– Third, the importance of internationalisation in maintaining financial stability must be stressed. The general interconnection of markets requires that central banks—as well as all other institutions involved—perform their duties in a totally globalised environment. This is what we do at our meetings of central bankers held at the Bank for International Settlements. It is also what we do within the framework of the Basle Committee chaired by Bill McDonough to define identical prudential principles valid world-wide and to implement them in a unified way in the emerging as well as in the industrialised countries.

In this globalised environment, new trends may emerge. Here, I am thinking in particular of herd-like attitudes, which are probably rooted in human nature and frequently characterise market behaviour. These types of behaviour have even more disadvantages at the global level than on national markets insofar as they can contribute to the spread of crises. We all hope that the discussions during this symposium will illuminate this subject.
How can we effectively combat the adverse impact of herd behaviour? Can the effectiveness of the utmost transparency, the key weapon for combating this herd-like behaviour, be enhanced by other measures? If they indeed exist, what are these prudential or accounting measures?

3. Lastly, Central Bank Accountability

Mr Prime Minister, dear colleagues, allow me to conclude with a mention of independence and accountability.

The independence of a central bank in a political democracy does not mean that it has no links with its country's political institutions. In France, the Banque de France has close links with the President of the Republic, Government and Parliament, just as the European Central Bank has close ties with the political institutions of Europe. An annual report is submitted to the President of the Republic; the Prime Minister and the Minister of Finance are invited to the meetings of the Monetary Policy Council; and the Finance Committees of Parliament can call on the Governor to explain his monetary policy at any time.

Respecting independence does not mean a lack of dialogue, on the contrary. However, it is true that an independent central bank is neither accountable to the executive power, nor to Parliament, nor to any other political institution. In France, this was decided by the lawmakers, and in Europe by the will of the people and the European parliaments, which ratified the Maastricht Treaty.

So to whom is the central bank accountable? In the end, I think it is accountable to public opinion itself. The independent Banque de France is accountable to French public opinion, the European Central Bank to the 293 million Europeans, and the Federal Reserve Bank to the 265 million Americans.

We are very fortunate in that our fellow citizens are deeply attached to the very values that our political democracies have asked us to guard over from our independent vantage point, that is, price stability, the stability of our currency and confidence.

It is our great responsibility to communicate with public opinion as a whole, and not just market operators and investors. This communication must be as direct and precise as possible, in terms as simple as the subject matter allows while remaining very professional.

This is what we are endeavouring to achieve in the Eurosystem, under the presidency of Wim Duisenberg. In addition to the fact that the whole Eurosystem team, made up of the ECB and the eleven national central banks, complies with the International Monetary Fund code of good practices on transparency in monetary policy, we also have very comprehensive arrangements for communicating with the public at large. They comprise detailed real-time explanations of our decisions, the publication of a precise and detailed monthly assessment accompanied by a press conference given by the President, frequent televised hearings of our President before the European Parliament and parallel hearings of the governors of the Central National Banks before the specialised
committees of the houses of their respective parliaments, and explanations that are as full as possible given by the governors and the members of the monetary policy committees to the 293 million Europeans in nine different languages with eleven different cultures. While we necessarily speak with several voices, it is to convey only one message expressed by our President on behalf of the whole of the Governing Council.

Mr Prime Minister, fellow Governors, Ladies and Gentlemen,

I am convinced that this symposium, which allows us to discuss and compare our practices and very real experiences world-wide, will help us to progress further in this field.
DEVELOPMENTS IN CENTRAL BANKING

Alan Greenspan  
Chairman

Jacques de Larosière
Wim Duisenberg
Peter Kenen
Andrew Crockett
Bimal Jalan
Charles Konan Banny
Guillermo Ortiz

According to their order of presentation
The Evolution of the Banque de France: from Simple Administration to Active Management of Money

Jacques de Larosière
Honorary governor
Banque de France

The Banque de France is far from being one of Europe’s oldest central bank. The Bank of Sweden and the Bank of England preceded it by over a century’s ¹, a telling sign of the underdeveloped state of the French banking system in the 18th and 19th centuries. In fact, the creation of the Banque de France on 18 January 1800 was one of the first measures taken by Napoléon Bonaparte upon taking power as First Consul. The goal was to overhaul the financial system and, more importantly, to create a currency worthy of the name after the galloping inflation of the revolutionary period.

The Bank was registered as a private-law company with the objective of regaining the public’s confidence and encouraging the use of banknotes. It gradually carved out a role as a note-issuing institution ², but also as the bankers’ bank. Its task was to provide refinancing for the banking system and ensure the equilibrium of the money market, which is the main subject of my paper. As a result, by the 19th century the Banque de France had grown into a fully-fledged modern central bank.

These activities made the Bank the cornerstone of the public’s confidence in money, and this confidence remained exemplary throughout the 19th century and up until the end of 1914.

The definition of the “germinal” franc, which was laid down by law in 1803 with respect to a given weight in silver ³ and gold ⁴, in fact remained unchanged for 125 years.

The decision-making structures of the Banque de France went through five stages in the 20th century:

– In 1936 ⁵, the government began appointing the members of the General Council.

---

². Its note-issuing privilege was extended to all of France in 1848.
³. 5 grams of silver at 9/10 title.
⁴. 322.58 milligrams of gold at 9/10 title.
Council; until then, the regents had been elected by the two hundred main shareholders (the “two hundred families”);

- In 1945\(^1\), the Banque de France was nationalised;

- In 1973\(^2\), the statutes were modernised;

- In 1994\(^3\), a landmark reform granted the Bank independence and created the Monetary Policy Council, which was responsible for formulating France’s monetary policy. It may neither “seek nor accept instructions from the government or any other person in the performance of its duties”;

- In 1998\(^4\), the Banque de France joined the European System of Central Banks.

The Banque de France has evolved throughout the three stages of its history, which were very different and of variable duration, but it has always played a key role in the modernisation of the financial system.

1. **The Creation and Development of a Modern Central Bank (1800-1940)**

1.1. The Development of the Bank and Monetary Policy until 1914

*The development of the Bank*

Up until the First World War, the growing importance of banks and money in France’s economy helped the Banque de France to evolve gradually into a central bank as we understand it today. In 1848, the note-issuing privilege, which had been prolonged on several occasions, was extended to include the entire French territory. With the exception of a few, very short periods of forced currency during the revolution of 1848 and the war of 1870, the banknotes of the Banque de France were convertible into gold and silver coin.

The issue ceiling was raised regularly, as the circulation of banknotes and coin swelled in step with economic growth and the public’s increasing acceptance of banknotes.

The network of branches and outlets also grew. The government, which wanted to speed up the creation of banks in France and remedy the lack of financial institutions, made the creation of new branches one of the conditions for the renewal of the right to issue banknotes. The Banque de France also expanded its activities in managing banknotes and acting as the State’s banker, to which it granted advances negotiated with the government.

As France applied the gold standard, its monetary policy consisted chiefly in

---

\(^{1}\) Act of 2 December 1945.  
\(^{3}\) Act of 4 August 1993 and 31 December 1993.  
maintaining sufficient gold reserves to cover adequately the circulation of banknotes. Its main instrument was the discount rate. From the end of the Second Empire to the First World War, this rate remained fairly low without hampering the rise in gold reserves. Despite running a chronic trade deficit, France enjoyed a current account surplus thanks to freight, insurance and—even then—tourism. But the main source came from capital revenues, since at the time France was the world’s second largest creditor after the United Kingdom.

**The role of the money market in the 19th century**

The French money market ranked second world-wide, behind London. There are two reasons why its national and international role was more limited than that of the British money market.

First of all, the Bank of England was chiefly a deposit bank, which centralised non-compulsory banking reserves but did not have the power to increase the volume of money and credit by extending loans beyond the limits of the “banknote reserve.” Economic agents compensated for this by circulating base money and exchanging reserves on the interbank market through an active and diversified bank network.

The Banque de France, however, dominated the money market because, in conformity with the banking principle and given the way the money and credit system was set up and its undeveloped state, the central bank was the only body capable of increasing the volume of money and credit in the country as necessary. Since the Banque de France could extend substantial financing to French banks as well as directly to businesses by means of discounting, it was not necessary to create a vast, autonomous and liquid money market, especially in a context in which bank money was relatively undeveloped.

Secondly, given that the gold standard prevailed on the international monetary scene, the franc’s international role was limited by its bi-metal system, in which the Banque de France could choose to reimburse notes in either gold or silver. This uncertainty worked to the advantage of the London market. However, it is also true that the Banque de France intervened on several occasions to help the Bank of England avoid having to implement a restrictive monetary policy.

Given these conditions, the money market played only a relatively limited role in the 19th century.

In any event, the banknote issuers’ margin for manoeuvre in a gold standard system was constrained by the need to preserve confidence in the currency by maintaining high coverage. This in turn limited any influence the Banque de France could have had on the overall price level and possibly the real economy. The concept of monetary policy as we understand it today—and which is not necessarily synonymous with progress—did not emerge until after 1914.
1.2. Developing Modern Monetary Policy Instruments (1914-1940)

During the First World War, the Bank was called on to help finance the war effort. It raised the ceiling on banknote issues and made substantial advances to the Treasury. By the time the war was over, the franc had lost four-fifths of its value. The Treasury continued to resort to the advances granted by the Bank, in some cases with little accounting transparency: accounting sleights of hand were used to disguise the fact that the banknote issue ceiling had been exceeded. In the end, Raymond Poincaré’s government implemented, with some difficulty, a stabilisation policy which confirmed the devaluation of the franc in 1928. This policy was conducted with the active participation of Governor Moreau. The Poincaré franc was worth 65.5 mg of gold at 9/10 title and the silver standard was abandoned. The Bank’s gold reserves had to cover 35% of its sight deposits (banknotes and current accounts), but the convertibility of notes into gold was abolished.

As part of Raymond Poincaré’s stabilisation policy, under the inspiration of Governor Moreau, a reform of the Bank’s means of intervening on the money market was introduced. Until then, the Banque de France had refinanced banks directly through discounting or security-backed loans. It also engaged in direct discounting with industrial or commercial companies. The reform was designed to allow the Bank to compete with the London financial centre in this activity, and it comprised the creation of discount houses based on the English model, which served as intermediaries between the central bank and the other banks.

The Exchange Stabilisation Fund was created in October 1936 to intervene discreetly on the market to regulate the franc’s parity. This was possible because its operations were not immediately or directly recorded in the Bank’s accounts.

During the Second World War, the Banque de France enjoyed very little autonomy vis-à-vis the French State and the occupying forces. However, the gold reserves had been moved to Africa and the allied countries beforehand.

At the end of the war, the Banque de France was nationalised by the Act of 2 December 1945, together with the four largest deposit banks. Its right of note issue was extended for an unlimited duration.


In 1944, monetary policy was subordinated to the need to rebuild the country. An innovative body, the National Credit Council, was set up to involve representatives from all walks of life in the monetary policy stance. The aim was to set up a division of tasks between the formulation of monetary policy by the government, its approval by the National Credit Council and its implementation by the nationalised Banque de France. The role of the Banque de France changed completely. Whereas the central bank previously merely reacted to the spontaneous requirements of economic agents and market forces, it now took on
a central role in managing and allocating the credit needed to help rebuild and boost the economy.

The instruments were forged as the need arose. They spanned a wide range, acting on both the liquidity of the banking system and that of the economy. In fact, the policy was designed more to influence lending to the economy than as a monetary policy in the modern sense.

2.1. Controlling Bank Liquidity and the Distribution of Credit

Discounting

In the period after 1944, the Bank’s policy was limited by institutional constraints and the need to rebuild the country. A number of more complex mechanisms were devised to supplement the discount rate.

The discount ceilings

Monetary policy consisted chiefly in setting the individual discount ceilings whereby each bank obtained financing at a fixed rate.

The Banque de France could not refuse to grant financing within the limits set by these ceilings, which were also designed to control overall banking liquidity. Banks could exceed these ceilings, but only at prohibitive rates called “enfer” and “super-enfer.”

Until 1971, the amount of discounting granted to banks and certain non-bank financial bodies was based primarily on a distinction drawn between the securities accepted for refinancing within the ceiling, and those accepted beyond this ceiling, that is, without a predefined limit.

A diversity of rates

Moreover, certain types of credit (primarily medium-term credit and construction loans) were granted automatic discounts at concessional terms. In addition to the discount rate, the Banque de France applied rates that were either more selective or complemented the quantitative controls. For example, to assist exports, the rates on claims on foreign debtors were lower than the discount rate 1.

Ratios

Banks were required to hold a minimum amount of Treasury bills and notes. They also had to comply with a cash coefficient that required them to keep a certain proportion of their assets in medium-term securities.

European integration and the decision to open up the economy—the Treaty of Rome was signed in 1957—changed the conditions in which monetary policy was conducted. New instruments were devised. In 1967, reserve requirements were set

up in order to give the monetary authorities a means of acting on banking liquidity that was similar to the techniques used in the Anglo-Saxon countries to influence the volume of credit. This system provided France with a monetary policy instrument that was far more elaborate than any it had previously used.

2.2. The interest-rate channel

France’s design for the money market was at the time both corporatist and centralised. It was reserved for the sole use of banks and certain financial institutions. It functioned independently of the financial market, since it was a market for reserves and not securities. This distinguished it from the London and New York markets, where the central banks and banks intervened to buy and sell short, medium and long-term government securities.

In the 1960s and 1970s, monetary policy was shaped by two considerations. According to the state of the balance of payments and the levels of foreign exchange reserves, capital inflows and outflows were either discouraged or encouraged while interest rates were kept as low as possible to foster demand. The two instruments used to implement this policy—in addition to foreign exchange controls—were money market rates and the discount rate, which was considered to be the key factor governing the cost of domestic credit. This dissociation was, of course, only possible because of regulated banking conditions and credit controls.

Money market intervention

Money market intervention took the form of repurchase agreements or outright purchases of Treasury bills or short-term bills issued by companies that had been rated by the Banque de France. These transactions were carried out via tenders and seven-day repurchase agreements. The Bank also had the option of acting directly on the very short-term money market rates. It did not operate constantly on the money market, but could use the discount houses as intermediaries.

One of the main short-term rates was the call money rate, which was set every day by the Banque de France. The discount houses reported on the level of banking liquidity to the Banque de France, which then extended or withdrew liquidity as needed to ensure that the market functioned at the appropriate level. Moreover, direct discounting by the Banque de France had been abolished in 1973.

2.3. Credit Controls in a Debt Economy

Throughout the thirty years of post-war growth (the “Trente glorieuses”), France’s interventionist policy of supporting the economy led it, like most other European countries, to choose direct control over credit volumes as its main monetary policy instrument. Credit controls were employed mainly from 1962 to 1965 and from 1973 to 1986. They were based on mechanisms that controlled the volume of loans distributed by each individual bank, and on a selective policy that funnelled credit to specific sectors.

While the principle of credit control is very simple—the authorities impose limits on annual growth in outstanding loans—its application poses a series of...
problems. These problems emerged in the course of the Bank’s various experiments with the policy.

The systems for controlling and funnelling credit to certain sectors proved increasingly inefficient, both because of the growing role of unregulated bank loans and the competitive distortions that arose between the different institutions.

But above all, these instruments were doomed because of the need to deregulate markets to give access to new types of issuers and investors and to open them up by abolishing controls on capital movements. There is no point in rationing the volume of bank loans in the domestic banking system if non-financial agents can resort to alternative means of financing from markets or foreign banks.

Credit controls were suited to a debt economy in which the capital market was relatively underdeveloped and the formulation of monetary policy was fairly simple and money could be clearly defined. The money supply could be regulated simply by governing the activity of credit institutions. It was possible to control all lending to the economy, as well as the main counterpart to the creation of money, bank loans. While the Bank could not control the external counterparts to the money supply, capital movements were restricted by foreign exchange controls. In this context, and given the weak markets, interest rates did not act as the equilibrium point. In a debt economy, money and credit are injected into the economy at low cost. Imposing credit controls made it possible to curtail the excessive creation of money and distribution of credit as well as to keep interest rates at the fairly low level considered necessary to ensure growth and full employment. The debt economy thus entailed a quantitative monetary policy based on credit and foreign exchange controls.


3.1. Economic Policy is Revised in Step with the Transformation of the Financial System

The development of financial markets, the declining role of credit institutions in financing credits, the surge in investment and credit instruments offering a wide range of maturities and the increasing openness of the economy had two consequences. Formulating monetary policy became far more complex, and the intermediate objectives were monitored through interest rates rather than credit controls.

Until the early 1980s, commentators tended to underscore the specific features of the French economy, in particular the strong degree of regulation, the limited role played by market mechanisms, and the constant inflationary trends as well as the recurrent imbalances in the trade account and the balance of payments. Monetary policy was accommodating to support the economic revival policies of 1975 and 1981. This stance resulted in a number of devaluations. The
Depreciation of the currency made imports more costly, weakened companies’ competitiveness and deepened the trade deficit.

France has since undertaken sweeping changes and has overhauled the way it manages the economy.

In 1983, after lengthy debate, the French government opted for full European integration and the provisions of the European Monetary System. In deciding to open up its economy to what had formerly been called “external constraints”, France also accepted all the consequences of this decision, such as liberalising trade and movements in capital and foreign investments. From 1984 to 1990, it lifted all the restrictive regulations that had been a feature of our economy for so long, be they foreign exchange controls, pricing regulations or credit controls.

The face of financial markets and the overall economic and financial system changed radically in the space of a few years. The Banking Act of 1984 harmonised the status of credit institutions and revamped the supervisory bodies. These developments were driven by the emergence of a vast bond market, the subsequent reforms of the money market and the creation of negotiable debt instruments in 1985 and 1986. 1989 was marked by the completed dismantling of the foreign exchange controls that had been applied, to varying degrees, for nearly fifty years. As a result, in the 1980s market mechanisms took on an increasing role in the allocation of capital. The Banque de France gradually replaced its policy of quantitative credit controls with a monetary policy based on monetary and foreign exchange targets which were pursued through the interest-rate channel.

At the same time, the economic policy aimed to maintain the main macro-economic balances. The failure of the devaluations led to the adoption of a policy focused on a stable currency bringing about an improvement of the structural competitiveness of our productive system.

The new strategy of competitive disinflation hinged on a two-pronged approach. The first was to reduce wage costs to lower inflation and improve companies’ margins so that they could invest and improve their structural competitiveness. The second was to maintain a stable currency which forced companies to strengthen their competitiveness while lowering the cost of imported raw materials and capital goods.

The policy of a stable franc, which was both a prerequisite and a consequence of this strategy, thus fostered a virtuous circle in which the improved structural competitiveness of industry boosted the surpluses that, from 1990 onwards, underpinned the external value of the franc.

This economic policy was conducted steadfastly for almost twenty years, regardless of changes in the overall economic environment and the succession of governments. It brought inflation under control, enabled wage increases related to productivity gains, strictly contained growth in the money supply and endeavoured to reduce public deficits, albeit insufficiently.
3.2. A Shift in France’s Monetary Policy Strategy

The formulation of monetary policy also evolved with the emergence of a consensus to assign it the objective of maintaining a stable currency.

*A final, quantifiable objective of price stability*

In accordance with the Treaty on the creation of Economic and Monetary Union, to which France is a party, the Act of 4 August 1993 on the independence of the Banque de France assigned the central bank the task of “formulating and implementing monetary policy with the aim of ensuring price stability” (Article 1). Year after year, the Monetary Policy Council indicated that the price increase as measured by the consumer price index should not exceed 2%, both for the year underway and in the medium term.

*Two intermediate targets*

For almost twenty years, France’s monetary policy referred to two intermediate targets. The first was the external target of ensuring the stability of the franc. The second was the internal target of controlling growth in the money supply.

The external intermediate objective—the stability of the franc—was pursued within the framework of France’s participation in the European Monetary System since its inception in 1979.

In the mid-1980s, it was reflected in the franc’s stability in relation to the most credible currencies in the European exchange-rate mechanism.

The commitment of the authorities in charge of economic policy to uphold the external value of the franc—and let me remind you that the franc has not been devalued since February 1987—was crucial in curbing inflation expectations, which improved the credibility of the currency. In an economy as open as that of France, in which foreign trade accounted for about one-fourth of GDP, a stable exchange rate was a prerequisite for price stability.

Particular attention was devoted to short-term developments in the external target, which was by its very nature constantly put to the test by the markets. European monetary integration only served to reinforce this strategy.

From 1977 onwards, the central bank also pursued an internal intermediate target based on the monetary aggregate, M2. After 1991, the M3 aggregate replaced M2, which was more vulnerable to the substitution of assets.

3.3. The New System: Introducing Market Instruments

The dismantling of credit controls and the adoption of a monetary policy based chiefly on the interest-rate channel led to sweeping changes in the framework of the Bank’s interventions.
First and foremost, a reform of the money market

Until 1985, only banks and certain non-bank institutions could operate on the money market. The other economic agents could not benefit directly from the terms negotiated on the market, and most of the interest rates on their deposits were regulated.

This situation changed completely in 1985 with the launch of the market for Treasury bills and negotiable debt instruments (commercial paper issued by companies, certificates of deposit issued by banks, bills issued by specialised financial companies and institutions and, as from 1992, medium-term negotiable notes). This market, which operated in parallel to the interbank market on which the Banque de France engages in lending and borrowing transactions, really opened up giving all economic agents access to the French money market. In addition to a wide range of securities, it offers investors a raft of instruments to cover interest-rate risks (swaps, forward-rate agreements, contracts traded on the French International Futures and Options Exchange (Matif), options, etc.). The size and liquidity of these financial markets makes them efficient channels for transmitting monetary policy impulses.

A technical reform

From 1986 to 1998, the Banque de France had two official procedures for intervening on the interbank market: repurchase tenders and repurchase agreements initiated by banks with maturities of five days, and later five-to-ten days. Where necessary, the Banque de France could also intervene at market conditions.

In this framework, the repurchase tender rate constituted the lowest rate at which banks could obtain central bank money, while repos initiated by banks generally represented the ceiling for fluctuations in short-term rates.

Repurchase tenders were the main means of providing the market with central bank money. More than 75% of refinancing requirements were satisfied through this facility. These transactions were carried out on the open market, at the initiative of the central bank dealing with the interbank market as a whole.

Five-to-ten day repurchase agreements offered financing to credit institutions at a more costly rate than that of repo tenders. Banks could resort to such financing at any time as long as they had the public or private securities necessary to guarantee the operation.

In practice, the banking system resorted to five-to-ten day repos only in times of interest-rate pressure on the interbank market.

After the Second World War, as the economy was being rebuilt and then modernised, the Banque de France was entrusted with new tasks similar to those it carries out today. These included compiling financial statistics and the balance of payments, setting up a balance sheet data office, conducting business surveys, centralising payment incidents on cheques and private-sector paper and clearing
cheques. Monetary policy, however, continued to fall under the aegis of the government, even though the Governor of the Bank sometimes expressed his disagreement.

The Banque de France has been independent since 1993. Within the framework of its responsibilities and in accordance with the guidelines set by the French authorities at an international level, it helped France to qualify for the single currency. Throughout the years, the Banque de France made a substantial contribution, both direct and indirect, to meeting three of the five quantitative convergence criteria required by the Maastricht Treaty, that is, low inflation, price stability and low long-term interest rates. The results achieved in these three fields have positioned France among the best-performing countries and have placed it at the heart of the process of creating a single currency.

A cursory view of France’s monetary history might give the impression that its belief in monetary stability is quite recent and dates back only to 1979, when it joined the European Monetary System. But this would be wide of the mark. With the exception of the First World War and two brief inflationary periods of a bit over a decade each—from 1945 to 1958 and 1970 to 1983—the Banque de France has pursued a policy of monetary stability throughout its entire two hundred years of existence.

Nicole Oresme, the French theologian who was Bishop of Lisieux in the 14th century, felt that a depreciation in the value of the currency went against God’s will. He urged people to beware of inflation because it redistributes wealth unfairly and is contrary to nature. More recently, Montesquieu declared “What instrument should be more stable than money, the standard by which all things are measured?” As can be seen, the roots of monetary stability run deep in France. They constitute the best guarantee for our country’s unwavering commitment to European Monetary Union.

Far from boosting growth, inflation has proven to be an obstacle to sound and sustainable growth. The countries with monetary stability have also proven to be the ones that enjoy stronger long-term economic growth.

Monetary stability is one of the building blocks of a market economy. While it cannot suffice on its own, a stable currency is crucial to the smooth functioning of the markets for goods, labour and capital. Moreover, a stable currency also helps to preserve purchasing power and consequently social justice. As Jacques Rueff pointed out, it is vital to a balanced society. Monetary stability is the hallmark of a responsible society in which men are free to make their economic decisions.
EMI-ECB: a Ready-Made Central Bank

Wim Duisenberg
President
European Central Bank

Ladies and Gentlemen,

It is a great pleasure to address such a distinguished audience on the occasion of the Banque de France’s bicentenary. Surviving for two hundred years in a sometimes turbulent economic and political environment constitutes a notable achievement. I am pleased to be able to congratulate my French colleagues and the Bank itself on this significant accomplishment and look forward to their continued success in the future as part of the Eurosystem—our name for the European Central Bank (ECB) and the eleven national central banks that introduced the euro in January 1999.

The long history of the Banque de France stands in stark contrast with the youth of the institution I represent today. Tomorrow the ECB will complete its first two years of existence. During this time, the introduction of the euro and the subsequent conduct and implementation of the single monetary policy have, in my view, been a remarkable success. Most importantly, the basis for lasting and credible price stability throughout the euro area has been solidified. Price stability has, in turn, helped to create an environment where economic activity and employment can flourish. Economic prospects in the euro area are better now than at any time for more than two decades. With continued wage moderation, fiscal consolidation and the implementation of long overdue structural reforms to labour and product markets, an extended period of sustainable economic growth is possible—provided that the single monetary policy remains resolutely committed to the maintenance of price stability, taking the necessary prompt action to address inflationary pressures as they emerge. The ECB is strongly committed to this task.

The successful introduction of the euro did not occur by accident. Rather it was the result of a long and painstaking preparatory process. This process started in Basel, under the aegis of the Committee of Central Bank Governors. The Committee of Governors was central to the preparation of the Statute of the ESCB and the Maastricht Treaty and, after the signing of the Treaty, undertook the initial groundwork for the move to Monetary Union. After its creation in 1994, the European Monetary Institute (EMI), as the institutional precursor to the ECB foreseen in the Treaty, took over the preparatory work. These preparations drew on the accumulated experience of central banks throughout the world, but—of course—especially those in the euro area. In this sense, the long history of the Banque de France that we are celebrating today—as well as
the experience of other central banks—has directly contributed to the success of
the ECB during its short initial existence.

In my remarks, I will discuss some of the lessons drawn by the ECB from the rich
history of central banking. My comments will focus on three aspects of monetary
policy-making: the institutional design of the central bank; the monetary policy
strategy; and the operational framework used to implement policy decisions.

1. The Objective of Monetary Policy:
   Price Stability

Monetary policy is not omnipotent. Unfortunately, in the past, this was not
always recognised in the design of central bank mandates. Central banks were
often charged with meeting several, potentially conflicting, objectives, some of
which were simply unattainable using monetary policy alone. Unsurprisingly, the
resulting inadequately designed institutional frameworks led to poor overall
economic outcomes.

Today, with the regrettable experience of high and rising inflation in the 1970s in
mind, the capabilities and limitations of monetary policy are better—although
still not universally—understood. A broad consensus now exists that the
maintenance of price stability is the appropriate objective of monetary policy.
This consensus is rooted in the belief that monetary policy makes its best
contribution to overall economic welfare by maintaining price stability—and
thereby allowing the relative price mechanism to work more efficiently. It goes
without saying that this is a consensus with which I fully concur.

The institutional framework for the single monetary policy described in the
Maastricht Treaty reflects this economic consensus. Of course, the Treaty was
written with the experience of European and other central banks in mind. First
and foremost, the Treaty clarifies the objective of the ECB. It establishes a clear
hierarchy of objectives for the single monetary policy, with price stability
unambiguously assigned overriding importance.

How should this mandate be achieved? The experience of the 1970s and 1980s
demonstrated the advantages of central bank independence in the pursuit of
price stability. A monetary policy subject to short-term political concerns and
influences could not adopt the medium-term orientation required to maintain
stable prices credibly. Academic studies of the time-consistency problem in
monetary policy offered an insight into this issue, while empirical evaluations
showing a correlation between central bank independence and greater price
stability provided compelling supporting evidence. By the early 1990s, the
benefits of central bank independence had become conventional wisdom. An
increasing number of central banks achieved greater institutional independence.
This worldwide trend was reflected in the Maastricht Treaty, which made the
ECB one of the most independent central banks in the world.

Assigning responsibility for an important public policy to an independent
institution needs to be accompanied by a transparent and accountable policy
framework. In a democratic society, a high degree of transparency and
accountability in monetary policy-making should bolster both the legitimacy
of the central bank and public support for its price stability mandate. At the same time, transparency and accountability impose an external discipline on policy-makers which can add to the credibility, and thereby the effectiveness, of monetary policy. The ECB has set high standards in both regards by establishing channels for communication and accountability suited to the specific, and distinctive, institutional and cultural setting in Europe.

I will return to the important issue of transparency in a moment, when I discuss the ECB’s monetary policy strategy. With regard to accountability, let me simply highlight that, drawing on the successful experience of several central banks, in October 1998 the Governing Council of the ECB decided to publish a quantitative definition of price stability. This definition of price stability as an annual increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%, provides a clear yardstick against which the public, its elected representatives and agents in the media, can hold the ECB accountable.

2. The ECB’s Monetary Policy Strategy

Within this institutional framework, how should price stability be maintained? This question is addressed by the ECB’s monetary policy strategy. It is obvious that the development of the ECB’s strategic framework drew heavily on the experience of euro area national central banks (NCBs) prior to Monetary Union. This is one area where the experience of NCBs was extremely influential and important.

Prior to the introduction of the euro, several central banks, including the Banque de France, assigned a prominent role to money within their monetary policy strategy. Some announced intermediate monetary targets, while others adopted monitoring or reference ranges for monetary growth. At the same time, other euro area central banks emphasised the role of inflation forecasts as the key monetary policy indicator. Of these, several proceeded to announce direct inflation targets, as became fashionable in the 1990s. Furthermore, many NCBs in what is now the euro area were pursuing exchange rate targets within the context of the European Monetary System. In several cases, central banks adopted various combinations of the above approaches.

This rich and varied experience provided the context in which the ECB’s strategy was designed. I should like to make two observations.

First, the range of approaches employed by NCBs in what is now the euro area was considerable. Nevertheless, once the commitment to price stability was affirmed, each of these approaches achieved a large measure of success. The convergence of inflation rates to low and stable levels across the euro area in the 1990s was a significant—and, in many quarters, unexpected—achievement. In my view, this experience offers a powerful illustration that there are several ways to achieve and maintain price stability. The strategy adopted by a central bank should reflect the circumstances that it faces, including the initial conditions and consequent need for transition. Those who claim that there is only one acceptable or efficient way to operate monetary policy fly in the face of history and experience.
Second, on the basis of our investigations of these various approaches conducted at the European Monetary Institute, we concluded that the differences among various central bank strategies—differences which are often highlighted in the academic and journalistic debate—are much less important than the similarities. Certain key elements—for example, affirming a commitment to the objective of price stability; defining this objective clearly; evaluating a broad range of indicators, including monetary aggregates, real and financial variables and macroeconomic forecasts—were, in fact, common to all successful strategies.

Taking note of these two observations, the Governing Council of the ECB adopted a strategy which aimed to maintain some continuity with the strategies pursued by NCBs in the euro area prior to Monetary Union while, at the same time, ensuring that the new and distinct challenges facing monetary policy in a wholly new currency area were appropriately addressed.

We recognised at the outset that the key feature of a successful strategic framework for monetary policy can be described in very simple terms. Monetary policy must always be determined in the manner which best serves the maintenance of price stability over the medium term.

In taking monetary policy decisions with the goal of price stability in mind, the Governing Council relies on the information about the economic situation and the threats to price stability that is revealed by a thorough analysis of a very broad range of economic indicators. As the NCBs’ experience has demonstrated, the relevant set of indicators is potentially very wide. In consequence, the ECB adopts a “full information” approach, ensuring all the relevant information is encompassed in the analysis. To impose some structure on this body of information, these indicators are organised in the context of the strategy’s two pillars. Imposing such structure facilitates the pursuit of the strategy’s interrelated roles, namely the promotion of an efficient internal decision-making process and the creation of a clear external framework for the presentation and explanation of policy decisions to the public.

The first pillar of the strategy, which assigns a prominent role to money, reflects the fundamentally monetary origins of inflation over the medium to longer term. The prominent role of money is signalled by the announcement of a reference value of 4.5% for the annual growth rate of the broad monetary aggregate M3. It is crucial to recognise that we do not interpret the first pillar as either an intermediate monetary target or solely in terms of the reference value. The first pillar embodies a thorough analysis of the components and counterparts of M3, which always takes place in the context of other indicators. The aim of the analysis is to extract information contained in the monetary and credit data that is required by monetary policy-makers to take decisions. In consequence, the analysis naturally focuses on the information content of money regarding the outlook for price developments considering both inflationary and deflationary risks. The first pillar therefore represents an approach within which monetary developments are the main determinants of the evolution of the price level over the medium term.

We are aware that the conditions needed to give a prominent role to money are not as favourable elsewhere in the world as they are in the euro area. However, in the euro area, all the available evidence so far points to the existence of a stable
relationship between M3 and price developments over the medium term. M3 and other monetary and credit aggregates also demonstrate leading indicator properties for future price developments. In the end, it is this evidence which makes us confident that monetary and credit aggregates are an important indicator for assessing risks to price stability.

The second pillar of the strategy is associated with a complementary, but more eclectic, approach, which implies that a wide range of indicators is of relevance for monetary policy. While inflation is a monetary phenomenon over the medium term, at shorter horizons it will be influenced by many other variables. Changes in international commodity prices, such as the price of oil, will influence developments in consumer price inflation. Demand and cost pressures can also influence price developments in the shorter term. Moreover, policy-makers will generally need to tailor their actions to the prevailing economic circumstances, since the impact of monetary policy on the future evolution of the price level at any specific time will depend on a host of factors which are not captured by monetary data. Analysis under the second pillar is intended to reveal this information, giving policy-makers greater insight into shorter-run price dynamics and their implications for monetary policy.

Monetary policy-making in the euro area has to reflect the complexities and uncertainties which surround the transmission mechanism of monetary policy in a wholly new economic entity. These uncertainties imply that no single approach is likely to be entirely reliable. The inherent uncertainty faced by the central bank cannot simply be wished away. Reliance on a single indicator or forecast, or a single model of the economy or view of the world, would, in these circumstances, be extremely unwise. The strategy needs to incorporate the full range of relevant indicators and assess them in the context of a variety of different models. In this respect, the two pillars complement one another. They allow for a structured cross-checking of the evidence and analysis underlying policy decisions, encompass all information and allow for various views of the structure of the economy.

The academic literature and other external commentators are slowly coming to recognise the importance of “robustness” in monetary policy-making—something which I believe has been understood by central bankers for some time. A successful monetary policy is not one that performs “optimally” in the context of a specific model or given a particular view of the world. In the light of our limited understanding of how the economy works, no single model is reliable enough. Rather—given the great uncertainty faced by central banks—a successful monetary policy should perform well in a broad range of possible situations and across a variety of models or views of the world, each one of which may capture important aspects of actual economic behaviour or may, ex post, turn out to be close to reality.

Monetary policy-making is therefore complex. The two-pillar strategy chosen by the Eurosystem—where these pillars represent distinct, yet complementary, approaches—captures this complexity in an honest and genuinely transparent manner.

This naturally brings me to transparency—a topic of considerable and ongoing debate in the euro area. In my view, the transparency of the monetary policy
process is best understood as the extent to which the external, presentational role of the strategy is consistent with the internal, decision-making procedure. As a party to both the decision-making and the presentation of the single monetary policy, I can assure you that the correspondence between the internal and external aspects of the Eurosystem’s strategy is extremely close. Discussions in the Governing Council take into account, on the one hand, an analysis of monetary developments and their implications for monetary policy and, on the other, an assessment of other financial and economic indicators, including macroeconomic projections based on conventional forecasting models and expert judgement. Comparisons are drawn and links are made between these two forms of analysis. Decisions are based on the information revealed through this exercise. The two-pillar framework that is used to explain policy decisions to the public therefore mimics rather precisely the internal decision procedure. Honesty is thus at the heart of the Eurosystem’s approach to communication.

An inevitable consequence of our honesty in the face of a complex, uncertain and changing environment is that the ECB’s strategy cannot be simple, in the sense that it cannot be described using a single indicator or forecast. We acknowledge that this can make our strategy more difficult to understand, especially at the outset. Sometimes the strategy is accused of lacking clarity on the grounds that the two-pillar approach is rather complicated and therefore unclear. However, alternative strategies would only achieve clarity in a superficial sense. Rather than being simple, they may actually be simplistic—and therefore misleading.

Drawing together these arguments, let me emphasise that a monetary policy strategy should not be seen as a machine that mechanically delivers policy decisions. There must be room for a diversity of views, for deliberation and for judgement in the Governing Council’s discussion. Monetary policy-making cannot be reduced to a reaction to a single figure, be it monetary growth or an inflation projection taken from a model or a group of experts. Nor can monetary policy be formulated on the basis of a single chart, however colourful. The ECB’s strategy provides scope for extensive debate and the exercise of informed judgement, both of which are essential to policy-making. Taking an eclectic, more diversified approach to inform policy judgements—as is implicit in the two-pillar approach—is likely to lead to a better understanding of the economy, to produce better policy advice, allow better policy discussions and therefore reduce the risk of policy errors. This robust approach to monetary policy-making is at the heart of the ECB’s strategy.

3. The Eurosystem’s Operational Framework

Before concluding, I should also like to make a few additional remarks on the operational framework used to implement monetary policy decisions in the euro area. For good reasons, the design of the operational framework was heavily influenced by the experience of NCBs prior to Monetary Union. Maintaining continuity with the pre-existing procedures and instruments was an important consideration. At the same time, the introduction of the single monetary policy offered an opportunity to design the operational framework afresh, ensuring that best practice was adopted throughout the euro area.
The resulting framework provides for a broad set of instruments and procedures to implement monetary policy. Thus far, this framework has worked very effectively in clearly signalling the stance of monetary policy and containing the volatility of short-term market interest rates. At the heart of the framework is the so-called “corridor” for the overnight market interest rate, which is defined by the interest rates on the deposit and marginal lending facilities. With the help of the minimum reserve system, the behaviour of the market rate within this corridor is smoothed, without recourse to fine-tuning interventions by the authorities that might be prejudicial to the market orientation of the system. With these features, the ECB has a very simple but probably also one of the most modern operational frameworks in the world.

Earlier this month I participated in a celebration of the 150th anniversary of the National Bank of Belgium. Today we celebrate the Banque de France’s bicentenary. It would have been extremely foolish if the Eurosystem had not exploited the accumulated wisdom and experience gained from the long and distinguished history of these institutions and those of the other NCBs. As I have argued today, both the Eurosystem’s strategy and its operational framework have exploited this wisdom to the full, while recognising the new and different challenges faced by the single monetary policy in the euro area.

Let me therefore finish by again congratulating the Bank on its bicentenary, by expressing my gratitude to all those who have dedicated their time and effort to the achievement of Monetary Union and, finally, by wishing the Bank another 200 successful years—and more—as an important and vital component of the Eurosystem.
When Governor Trichet invited me to participate in this symposium, he did not tell me that I would lead a round table on a subject as broad as the one we are about to discuss. Fortunately, other members of this panel know a lot about it, and I will leave much of the hard work to them. I will focus my remarks on some trends in central banking that relate directly to the main themes of this conference: independence and accountability.

1. Recent Trends in Central Banking

Although there have been many efforts to measure and compare the independence of individual central banks, it is not easy to collate comparable information about trends in this domain. The task is especially hard because independence is multidimensional.

There is, first of all, the important distinction between independence in respect of instruments and independence in respect of targets. It is also important, however, to distinguish between independence in choosing a target and independence in choosing an operational representation of the target—whether, for example, a central bank may decide for itself to pursue price stability and whether, given that target, it may decide for itself how to define price stability. We must likewise distinguish between independence in choosing an ultimate target, such as price stability, and independence in choosing an intermediate target, such as the growth of a monetary aggregate.

Furthermore, the ability of a central bank to choose a particular target or operational representation may be circumscribed by the environment in which the bank operates. Even when it is not explicitly responsible for exchange-rate policy, its operational independence can be severely limited by the exchange-rate regime. When the exchange rate is pegged, or very nearly so, and capital flows are unrestricted, a central bank cannot have much meaningful independence—not in respect of targets or instruments.

It is even more difficult to quantify the degree to which a central bank enjoys *de facto* independence, although this may be more important than *de jure* independence. To put the point differently, political legitimacy may be more potent than legislation as the ultimate guarantor of independence. Therefore, accountability should not be deemed to restrict independence but rather to
reinforce it. Although it is hard to measure independence and thus make meaningful comparisons across time and countries, five trends are discernible.

First, most central banks now enjoy much independence in choosing and using their policy instruments and have used it to rely on setting short-term interest rates; they have reduced their dependence on other, less market-oriented methods for managing money and credit. Furthermore, central banks in several countries are less heavily involved in financing budget deficits and managing government debt, partly because governments themselves have adopted more prudent fiscal policies and better debt-management strategies.

Second, many more central banks are now committed formally to pursuing price stability as the main objective of monetary policy. Some are not free to define price stability, and I am not fully convinced that they should be free to do so. I will return to this matter later.

Third, several central banks have moved to collective decision-making by establishing a monetary policy committee of one sort or another. The committees differ in their composition; many consist only of central-bank officials. I venture to suggest, moreover, that committees which seem quite similar in composition are far less similar in the way they function.

Fourth, central banks have become more transparent. They tell us more about their decision-making processes, the issues raised in the debates before decisions are made, and, in some cases, the votes taken in their monetary policy committees. Furthermore, they answer questions—from parliaments, journalists, and the private sector. Finally, they provide more information of the sort that they employ in making their decisions: statistics, forecasts, and even the models on which those forecasts are based. Thanks to the worldwide web, moreover, much of this information is widely and promptly available.

Finally, there has been a discernible shift in the locus of responsibility for prudential supervision. Most central banks are still responsible to some degree for the stability of the financial system and the integrity of the payments system, but some are no longer involved directly in prudential supervision. Three reasons stand out. First, the blurring of boundaries within the financial sector has forced governments to choose between giving central banks a larger role in supervising nonbanks and a smaller role in supervising banks. Second, the recent epidemic of banking crises has forced several countries to restructure and even recapitalize large numbers of banks, and this has brought governments into the game because of the need for funding. Third, there is growing awareness of the risk that the pursuit of price stability can perhaps be compromised when the central bank is also held responsible for the safety and soundness of individual banks and the banking system as a whole.
2. Independence, Accountability, and Price Stability

Having tried to discern and describe broad trends in central banking, let me now focus more narrowly on one of those trends. Why have governments and central banks alike come to view price stability as the most appropriate primary target for the central bank and its operational counterpart, the use of inflation targeting to govern the actual conduct of monetary policy?

The teachings of economists can perhaps take some credit. We have come to understand that a little more inflation will not buy more growth or less unemployment. It will instead produce much more inflation and little, if any, additional growth. Experience also teaches us an important lesson. Once price stability has been achieved and is expected to continue, a central bank can, within prudent limits, adapt its monetary policy to offset short-term fluctuations in output and employment. Like a skillful sailor, it can tack with the wind to gain more speed if it can safely stay on course to reach its ultimate destination.

But there is, I believe, an important connection between two of the trends I have mentioned—the increase in the number of countries that view price stability as the most suitable target for the central bank and the increase in the number of independent central banks. To acquire independence, central banks have had to identify themselves with the production of an important public good, to choose the particular public good they can produce most efficiently, and to give the public a simple way to judge the quality of their performance. No other policy objective meets these three requirements. Rolling them into a single assertion, the commitment to provide price stability is the cement that binds the two sides of the bargain between the central bank and the body politic—the bargain from which the central bank acquires operational independence but assumes in return an obligation to produce something valuable, achievable, and measurable.

This principal-agent view of the matter is more appealing to me than any other way of looking at the role of the central bank. There is a large academic literature on the relative merits of rules and discretion in the execution of monetary policy and a closely related body of literature on ways to achieve and maintain credibility. The debates on these issues, however, are not especially helpful in explaining why a particular target—price stability—has become so popular. A few years ago, indeed, the case for a rule-based monetary policy and the need to achieve credibility were invoked on behalf of a different target, exchange-rate pegging, and it is falling out of favor.

We used to believe that exchange-rate pegging was a way to “import” credibility and thus a useful way to achieve price stability. That may still be true. We have also learned, however, that exchange-rate pegging is not a viable long-run strategy unless some way can be found to confer credibility on the exchange-rate commitment itself. It must be “institutionalized” in some fashion or another. That is the rationale for adopting a currency board or replacing the national currency with a foreign currency. It is likewise one rationale for forming a full-fledged monetary union.

But the institutionalization of a fixed exchange-rate may not suffice for long if the country involved cannot meet several other conditions having to do with the quality of its financial system, the flexibility of domestic prices and wages, the
commodity composition of the country’s foreign trade, and the geographic
distribution of that trade. A country that trades heavily with the euro area but
ties its own currency firmly to the dollar or substitutes the dollar for its own
currency is making two changes at once. It is tying itself to the floating exchange
rate between the dollar and the euro and trading its own monetary policy for that
of the United States. This need not be a bad bargain, but it may be better for
some countries than for others. And it is more likely to be a bad bargain when
made mainly to seek shelter from speculative pressure. Far better to float
independently than tie oneself tightly to the wrong partner.

Let me make one more remark about exchange-rate policy. No one is willing to
stand up today in favor of pegged but adjustable exchange rates. The crises of
the 1990s, including the Exchange-Rate Mechanism crisis of 1992-1993, have
taught us three lessons. First, adjustability invites instability. Second, the game
played by markets and governments under adjustable rates induces both players
to make very costly mistakes. Finally, it is now nearly impossible to engineer a
small, controlled devaluation of a pegged exchange rate. Unfortunately, many
people, including prominent officials, have drawn a different, more drastic, and
unwarranted conclusion. The only viable regimes, they say, are firmly fixed
exchange-rates supported by strong institutional commitments and, at the other
extreme, freely floating rates. But there are viable exchange-rate regimes between
those two extremes.

A number of countries have fared quite well with wide-band target zones and
other intermediate regimes, and it is therefore foolish to identify exchange-rate
flexibility with totally free floating. It can, in fact, produce bad policy decisions.
Countries in which there is widespread “fear of floating” may be induced to
adopt rigidly fixed rates, even when they do not meet the necessary
preconditions. Countries in which it is impossible to institutionalize a firmly
fixed rate may be induced to adopt a freely floating rate and, because they fear
large exchange-rate fluctuations due to volatile capital flows, may then try to
curb those flows by adopting inefficient capital controls.

3. Provoking the Panel

Returning to my main theme, there is, I believe, a very strong case for inflation
targeting. It is the operational counterpart of the commitment to price stability.
It offers a sensible and meaningful way for the central bank to convey to the
public the rationale for its day-to-day decisions and is a suitable basis for judging
the long-run performance of the central bank. Important questions, however,
have not been resolved decisively and are answered differently in different
countries. Who should set the target? In the United Kingdom, it is the
government; in the euro area, it is the ECB. How should inflation be measured—
in terms of a standard price index, well known and seemingly relevant to the
general public, or in terms of an index adjusted to exclude the influence of special
events, such as a change in the price of oil or in the exchange-rate? Should policy
be based on current price behavior or predicted price behavior?

There may be more than one right answer to each of these three questions. But
there may be wrong answers, too. Let me give you my own answers and invite
the panel to tell me why they disagree.
Who should set the target? A technocrat might tell you that this task should be left to experts, who have thought deeply about the long-run effects of setting the target too high or too low. In my own limited experience, moreover, that sort of expertise is more likely to be found in the central bank than in the finance ministry, where urgent questions often seem to crowd out serious questions. But there are two reasons for taking the opposite view—that the target should be set by the government, not the central bank, but in close consultation with the central bank. The first has to do with accountability. There is only one way for the public to vote against the target—by voting against the government itself. It has no direct control over the decisions of the central bank, nor can it cause the government to influence the central bank without undermining the bank’s independence. The second reason has to do with the policy-making role of the government itself. When it sets the target, it can be held responsible for following fiscal and other policies conducive to achieving the target. It cannot blame the central bank for choosing an inflation target that leads to an unbalanced mix of monetary and fiscal policies. I am not suggesting that the government should change the target frequently, to suit its convenience. But I would be quite surprised if a target that worked very well in one decade worked equally well in the next.

Should the target be defined in terms of a standard price index or one that is adjusted to exclude extraneous changes in prices? Because inflation targeting provides a good way to assess the performance of the central bank over the long run, not just to formulate monetary policy, I favor the use of a standard price index to define price stability. Regular or ad hoc adjustments to exclude the influence of extraneous and transitory shocks can be transformed too easily into a set of excuses for having made mistakes.

I nevertheless acknowledge the need for the central bank to allow for extraneous shocks when judging the need to raise or reduce interest rates or to make other policy changes. What should one do when the currency is strong and holding down domestic prices? Is it not important for the central bank to assess the sustainability of price stability and thus be able to detect inflationary pressures that may sometimes be masked in a general price index?

These and other difficulties can best be resolved by defining price stability in terms of a general price index but basing current policy on forecasts of inflation, not on current price behavior. When forecasting inflation, one must make due allowance for transitory shocks, not only for their arithmetic influence on the price level itself but also for their influence on aggregate demand and, therefore, the future path of the general price level. There is no other way, moreover, to allow for the time that must elapse before a change in monetary policy has its full effects. When policy is based instead on actual inflation, the central bank can face two problems—having to explain a policy change when the need for it has not yet shown up in the actual inflation rate or having to make an abrupt policy change when, in the absence of overt danger, it has moved too slowly.

I am well aware of the additional margin of error introduced by the intrinsic difficulty of making accurate forecasts and of the risk that the public may be tempted to judge the performance of the central bank by looking retrospectively at its forecasts, not the results of its policies. There should, in fact, be no close correlation between forecasts and outcomes. A forecast of high inflation made
on the basis of unchanged policies should lead to a policy change that produces
low inflation and thus falsifies the forecast. I am also aware of the risks posed
when two quite different tasks—making forecasts and making policy—are
assigned to the same group of people. I therefore believe that those two tasks
should be performed by different groups of people and that central banks which
base their policies on forecasts of future inflation should be prepared to explain
in detail how they make their forecasts.

There is little risk that my colleagues on the panel will agree with me completely.
But let me give them three more reasons for taking issue with me.

First, I am convinced that central banks should publish the minutes and votes of
their decision-making bodies. But I am disturbed by the importance that market
participants and financial journalists attach to those minutes and votes. Quick
publication contributes unnecessarily to market volatility, not merely in debt
markets but also in equity markets. Would central banks be less accountable if
minutes and votes were published with a six-month lag? (I nevertheless agree
with the reasons usually given for declining to publish votes in the Governing
Council of the ECB. In these early days of the effort to forge a monetary policy
attuned to the needs of the whole euro area, it has been important to insulate
individual Council members from home-country pressures. At some point soon,
however, votes should perhaps be published so that the public can judge whether
the effort has been successful.)

Second, I am coming to believe that central banks must pay attention to asset
prices and must be equipped with policy instruments that can help to combat
irrational exuberance. I have in mind, in particular, efforts to limit highly
leveraged trading, not only by individuals but also by institutional investors. I
wish that I knew what to do about real estate prices, apart from raising interest
rates to make mortgage money dearer. I am convinced that high housing prices
limit labor movements into rapidly growing regions and thus amplify wage
pressures.

Finally, let me repeat a question asked by my Princeton colleague, Alan Blinder,
who wonders why we do not entrust fiscal policy to an independent fiscal
authority—one that would be empowered to make an across-the-board change
in some broad-based tax, such as the value-added tax or personal income tax,
with the aim of achieving greater economic stability than can be achieved by
monetary policy alone. At the very least, an independent fiscal-policy board
might be empowered to recommend periodic tax-rate changes, and governments
would be obliged to explain their reasons for rejecting its recommendations.
Let me begin by adding my words of congratulation to the Banque de France on its two hundred years of existence, and my best wishes for many more to come. I congratulate in particular Jean-Claude Trichet on organising this very interesting colloquium.

In the professional lifetimes of most of us in this room, there has been a remarkable change in the role, objectives, techniques and constitutional position of central banks. We are here today talking about independence and accountability, terms that were for most, though not all, central banks, rather foreign thirty or so years ago. Chairman Greenspan asked provocatively: will future historians look back and say we were as mistaken today as we now think our predecessors were thirty or forty years ago?

It is a sobering question to ask. But there are certain things that have been learnt over these last thirty years that I believe will stand the test of time. For example:

– There is no long-run trade-off between inflation and real growth, although there may be a short-run trade-off. It is therefore desirable to embed price stability as a long-run objective outside the temptations of short-run political pressures.

– Inflation is a monetary phenomenon. This seems obvious today. But when I began my working life, the prevailing view, at least in the United Kingdom, was that of the Radcliffe Committee which assigned a very minor view to money among the causal factors behind inflation.

– Concerning the techniques of monetary policy, the shift to market-based instruments is likely to endure. Market-based instruments do not involve social choices favouring one sector or another and therefore make it easier to put the exercise of those monetary instruments into the hands of an independent authority, not subject to direct political decision.

– Finally, all these lessons which individually point to the desirability of central bank independence are confirmed by the observation of performance. Those
central banks that have been independent for the longest time have, in general, the longest track records of satisfactory counter-inflationary performance.

Do these durable lessons mean that the end of monetary history has arrived and that there are no longer significant questions of theory and policy to discuss? Certainly the answer is no. There are many important subjects that will continue to be debated. Peter Kenen has referred to some of the issues that arise in the operation of inflation targeting. Others could be added, such as the precise level at which the inflation target is pitched. Currently, there seems to be a broad consensus that inflation should be a low but positive number, perhaps in the 1%-3% range. Are we, with the benefit of further experience, going to want to aim for a lower figure, perhaps zero, or are we going to feel that a slightly higher figure is appropriate? Another open issue is whether it would be preferable to move eventually to a price-level objective rather than an inflation objective. Should policy, in other words, correct for inflationary overshoots or undershoots by consciously aiming at lower or higher inflation in a subsequent period? Then there is the question of how rapidly policy-makers should attempt to return to an inflation objective when a supply or demand-side shock knocks inflation away from the target.

Another important question is how to incorporate asset prices into inflation objectives. The conventional wisdom is that asset prices should affect inflation monetary policy decisions only in so far as wealth effects impinge upon demand and supply in the market for current output. But I cannot suppress a nagging doubt. If asset prices create a bubble, the deflation of that bubble can take place in ways that are not necessarily benign. The role of asset prices in the formulation of monetary policy is likely to be on our agenda for some time to come.

Coming to intermediate targets, as Peter Kenen reminded us, it is not so long since most central banks subscribed to an intermediate target that was related to the external value of the currency, and not so very long before that when the external value of the currency was defined in terms of a metallic standard. We are unlikely to go back to that as the prevailing regime, although it is true that a large number of countries still find the exchange rate to be a useful fulcrum, to condition the way in which they formulate monetary policy if not to use as a peg. Monetary aggregates seem to me to be unlikely to return to full favour because of the difficulties that nearly all countries have experienced in identifying a stable velocity function for money. So we are left with inflation targeting. But we should remember that a regime in which the ultimate objective policy is also the intermediate variable is an incomplete regime. You have to specify the structure within which you move towards the ultimate objectives. That means the whole range of questions, such as the mandate that is given to policy makers, who decides the objective, accountability provisions, the inflation forecasting framework and so on. How this framework is fleshed out will continue to preoccupy central bankers, politicians and academics for some time to come.

In closing, let me just say something about a topic Peter Kenen mentioned but did not examine in great detail in his remarks, namely the question of central bank responsibility for banking supervision, or financial stability more generally. The tide is clearly running in favour of removing direct supervisory authority from central banks and vesting it in a separate authority. At the same time, in
nearly all cases I am aware of, central banks have been left with a responsibility for financial stability more broadly. It is a very important challenge for central banks to define what that responsibility actually means. The financial system involves a complex interaction between the institutions that are active in markets, the way in which the markets themselves function—foreign exchange, fixed interest, equities—and the infrastructure of accounting conventions, payment and settlement systems, corporate law and so on. As of now there is no authority in any country or internationally that has an overarching responsibility to look at the nexus between those aspects of market structure, institutional players and the infrastructural framework. That is an area in which central banks, in defining their role for financial stability, will have to be particularly thoughtful in seeing how they can act in circumstances in which financial supervision has been taken out of their responsibility.
I gave quite a few aspects at least of the answers to Peter’s questions in my previous introduction. So I shall limit myself to trying to answer the two new questions which were raised: who sets the target, the government or the central bank and what price index to use?

Who sets the target is a little bit complicated in our case, because Europe as such does not have a government. This is the main reason why we, central bankers, came up with a definition, but there are other reasons as well. In the case of the European System of Central Banks (ESCB), our constitution, that is the Treaty, clearly says that it is the primary objective of the ESCB to achieve and maintain price stability. The Treaty, wisely I think, did not define price stability, so we undertook to do that ourselves. Why didn’t we say then that price stability is a zero change in prices? The main reason is that we all know that whatever measure you take for price developments there is what we have now come to call a measurement bias, a positive measurement bias in virtually every price index. In the European case, to be quite honest, we have no idea precisely how large it is. We thought we would be on the safe side if we defined price stability as an increase in the harmonised index of consumer prices of below 2%. That would, for us, be enough justification to call the situation in which actual prices were increasing at a rate below 2% still a situation of price stability. I would like to add that the very deliberately published definition which I quoted already used the word increase, that is to indicate that a decrease of prices, say deflation, would be as detrimental in our mind to the achievement of our objective as an excess of over 2% in prices.

The second question, Mr Chairman, I basically think I have already answered. I agree with Peter Kenen that monetary policy has to be formulated in what I call a forward-looking manner, and that transitory elements should play as little a role as possible in the determination of our monetary policy stance. Yet, we cannot entirely ignore them, but their role should be limited. So we in the Eurosystem are in favor of deciding in a forward-looking manner, that is based, among other things, on forecasts of inflation but not only of inflation. Our second pillar ensures that we perform this forward-looking analysis based on a wide range of indicators or determinants for future price developments.

So we at least in the Eurosystem are not so impressed by the latest inflation figure as published last week. We are much more impressed by developments we think we will see happen in one and a half to two years from now.
Mr Chairman, please, permit me to begin by adding my congratulations to the government, the people and the Governor and the staff of the Banque de France on this historic occasion. The Bank that I represent, the Reserve Bank of India, was founded in 1934. It is perhaps one of the oldest in the developing world, but a mere toddler in front of the Banque de France at most, a teenager! When the Reserve Bank was being founded, in addition to the example of the Bank of England, the Federal Reserve of the United States and some of the European banks, the constitution of the Banque de France was also very much in the minds of our founders. Some of the things that I have learned here in the last two days, I also find reflected in the constitution of the Reserve Bank. I am very glad to be here, and I thank Jean-Claude Trichet for inviting me to participate in this historic occasion.

As I happen to be the first speaker from the developing world, or the so-called emerging economies, I think I can perhaps best contribute to your debate today by concentrating on the emerging market perspective on some of the issues that you were discussing earlier in the morning, and which were also raised by Peter Kenen and others. In giving this perspective, I shall rely largely on the experience of my country and the Reserve Bank of India, particularly in the last three years, which have been extremely difficult for the global economy. Fortunately, India emerged out of it relatively well in the sense that we were able to maintain internal price stability as well as external stability with rising reserve levels and high growth. It required a good deal of effort on the part of all those who were responsible for policy making, not only in the monetary area, but also elsewhere in the Government. I will draw on this experience, but I hope what I have to say will be of relevance to other emerging economies also.

As time is short, Mr Chairman, let me briefly mention the main point that I want to make. The main—and only—point that I want to highlight today is that at the level of generality, there is likely to be a shared consensus among all of us—the emerging markets, as well as the industrialised world—on the primary objectives of monetary policy. However, in operationalising those objectives, and in working out the interconnection between these objectives and other economic objectives, there is a vast world of difference. When we speak of central banking in global terms, there is a need to pay attention to these differences. Let me illustrate. At a general level, I think what Prime Minister Jospin, and again this morning Governor Trichet, said to us is absolutely valid, namely, that price stability and financial stability are paramount, and the autonomy of the central bank is important. It should be independent of political considerations, that is party-political considerations, or considerations dictated by electoral politics. Similarly, on accountability and transparency, there can be no difference of views. Central banks have to be accountable, and must meet the test of public
opinion. I think that this was a very good point made by Jean-Claude Trichet. But going beyond this generality of considerations, with which we all agree and fully endorse, when we come to operationalising these objectives, there are tremendous complexities in emerging market economies, which deserve consideration.

Let us take, for example, the whole question of the relationship with government, which was the dominant theme in this morning’s presentation. The relationship of a Central Bank with the government is complex in developing countries because of the multiplicity of objectives that the public expects policy-makers to pursue. The fact is that the people or the public opinion, which Jean-Claude Trichet emphasised, expect much more activity from our governments in the economic area than is the case in developed countries. For example, in our countries, they expect government to provide food security. If there is a drought or famine, as in Ethiopia now, or elsewhere from time to time, they expect government to tackle it and find the resources to do so. For investment in public infrastructure, such as airports, roads, and so on, as well as for generation of employment, they again expect the government to take the leadership role. They also expect the government to promote industrial growth and ensure financial stability. So the whole question of what the public expects the government to do in our country is much broader, which makes the relationship between government and the monetary authority complex, not in a party sense, not in a biased political sense, but in the actual overall economic management of the country. Central Banks cannot work effectively in isolation from the government, particularly when there are conflicts in pursuing a narrow monetary objective from that of broader economic objectives. If there is such a conflict, monetary policy cannot be effective without a supportive fiscal policy and a shared perception about which of the objectives of macro-economic policy should have a priority at a particular point of time.

Similarly, on price stability, we heard Peter Kenen on the question of choice of “core” inflation versus the headline or standard inflation, and the greater utility of the former as an objective of monetary policy. However, in my country, as indeed in many other developing countries, nearly 45% of the weight in the wholesale price index and 65% of the weight in the consumer price index is food, kerosene and cooking oil, etc. Now, if you say, I should take “core” inflation as a target as it is more amenable to monetary variables and not the overall inflation, it may lack credibility during periods of pressure on prices of commodities of common use. While we may be experiencing an overall rate of inflation of 9% because of increase in food prices, which constitutes the major item in household budgets, the central bank may be telling the people that we actually have a “core” inflation of only 2%! This order of difference in the headline and core inflation was actually experienced in India in 1998. Let me make it absolutely clear that we are all for price stability. However, it is the narrow quantification of the objective, e.g. whether it should be 2% or should it be a range between 1.5% and 2.5%, which leaves us a little uncomfortable. I would like to have such a precise target, but it is simply not feasible in countries with a very large element of agricultural production which is dependent on rainfall, and a high dependence on imported oil or other commodities, the prices of which constitute an important element in the cost of living. In many emerging market economies, targeting an inflation rate, without taking these factors into account, could lead to highly unrealistic results.
Then, there is the important question: should price stability be the only concern of monetary policy? There seems to be a convergence of opinion in the industrialised world on this issue. But take our countries. If you take the exchange rate issues or external stability objective, it will surprise many of you to know (and I am grateful to Edward George for having conducted a survey very recently) that out of 77 central banks surveyed, as many as 54 central banks assigned an equal weight to the objective of exchange rate stability. This was in fact a larger number than those who believed in price stability as the most important objective. Why is it that stability in foreign exchange markets has become such an important objective in many developing countries? This is because we don’t have a lender of last resort in foreign currency. If there is sharp volatility in forex markets, this affects the market sentiment all around. Exchange rate movements, in response to relatively minor developments, can be very large, and unpredictable. With the euro, yen and dollar, things are under the relative control of the authorities of the countries concerned. They may decide to intervene or not to intervene but their markets are much deeper and they have the option of intervening jointly, if they wish. Unfortunately, this is not so in developing countries, even fast growing countries with prudent fiscal and monetary policies, like in East Asia.

Similarly, with respect to the growth and price trade-off, as I mentioned before, this trade-off is difficult to reconcile, particularly at very low or high points of the business cycle. In the medium or long term, everybody agrees that we should have both, but that is not meaningful when there is a real conflict. When we are going through an inflation of 9% because of the increase in the price of something as innocuous as onions (as happened in India in 1998), and there is a recession, should you squeeze monetary policy or should you not? In answering this question, we must realise that there is a marked difference in the market structure of our economies and the market structures of industrial economies. The latter are certainly more stable and less subject to large fluctuations in output or prices of particular commodities, which have a disproportionate impact on the aggregate output or prices. When we talk about development, we always talk about structures; but somehow when we talk about monetary policy, we don’t. A related point is that our markets are relatively thin. Domestic markets are generally dominated by a few players. We are still at a relatively early stage of development and, therefore, sensitivity to small changes in interest rate or other monetary variables is not very significant. Thus, for example, a 25-basis-points change in interest rates or 50-basis-points change in interest rates in a developing country may not have much effect in forex or money and bond markets. Given the structure of the market, and the impact of volatility in one market on the entire economy, the monetary function becomes much more complex.

To sum up, while there may be complete unanimity on the objectives, the instrumentalities and operational complexities are likely to be very different in emerging market economies as compared with highly developed industrial economies. Why I’m drawing your attention to these aspects is simply this: when we think about the international global experience of central banking and the best of practices that should be followed, there is need to pay more attention to the experiences of developing countries experiences as well. There is need for more research, and greater recognition of differences in institutional and market
structures among countries at vastly different levels of development in designing monetary policy objectives and instruments.

At the Reserve Bank, we are studying the nature of markets in different parts of the world, particularly Asian countries, and the effect of structures in designing an appropriate monetary policy framework in order to understand what works, what doesn’t work, what is the transmission lag, and what are the kinds of monetary instruments that are effective. A related point is that, as we move along, I think we have to find a convergence in our countries between the reform of the institutional structure and short-term goals of monetary policy.

Mr Chairman, our previous discussion has been extremely interesting and thought-provoking. I thought I should try and give this august house a slightly different perspective on the issues that we are discussing. When Jean-Claude Trichet invited me, I’m sure that he wanted me to share with you our own experience on these matters rather than simply repeat what is already common ground among all of us.
First of all, let me thank Governor Jean-Claude Trichet for inviting me to participate in commemorating the bicentennial of the Banque de France. I would like to see this, not only as a nod towards the very close relationship we have with the Banque de France, but also the acknowledgement of a shared destiny between our countries and France. I am referring here to France’s mission of universality. This mission, which France has embraced throughout its history, fits in well with globalisation, the mark of today’s world. All areas of the globe are represented around this table and I wish to thank Jean-Claude Trichet for that too. I represent the Central Bank of West African States. Your desire, in doing me this honour, was that I shed a little light on the experiences of African countries, these developing countries that are among the poorest of the poor. I thank you for giving me a seat at the global table, next to Alan Greenspan, Governor from the most powerful country in the world. Just imagine, I represent the weakest and poorest countries in the world. This is a sign of the times and we should not ignore it.

I would like to make two remarks:

– The first is on the function of central banking. As the speaker who preceded me stated in his general remarks, it is a universal function. Listening to the speeches yesterday and especially this morning strengthened my belief that the business of central banking is indeed the same in Africa, Asia, America and Europe. Indeed, though the responsibilities of central banks, as well as the instruments at their disposal have evolved with time, I note, as Governor Jacques de Larosière said that the business of central banking remains basically unchanged. I will therefore not dwell on what unifies us, the central bankers of today. Let me just tell you that, like the other central banks, the Central Bank of West African States is a note-issuing bank, and what’s more, for eight West African countries. I shall return shortly to this distinguishing feature.

– My second remark will be on the concept of time. I observe that we are commemorating the 200th anniversary of the Banque de France. A few years ago, I was invited to the tricentennial of the Bank of England. I have learned that my friend Guy Quaden is celebrating the 150th anniversary of the National Bank of Belgium. In two years’ time, the Central Bank of West African States will celebrate its 40th anniversary. So much for time. We are, however, not the youngest bank, for Wim Duisenberg was saying that his bank, the European Central Bank, is only two years old, even though its components are hundreds of years old. So we have come full circle. Together, institutions which are one hundred, three hundred and two hundred years old add up to two years. Time is therefore the same for us all, even if historically, we are not all of the same
I have just stated that the general missions of all central banks are the same. Before coming back specifically to these missions I wish to begin by addressing the question “who should set inflation targets?”. It is clear that, like other central banks, our goal is to maintain price stability while also preserving the external value of our currency. We are a central bank serving several countries in a completely unified and integrated system. Monetary sovereignty is entirely in the hands of the Central Bank of West African States. Our Monetary Union is probably one of the most advanced that I know of and that is why I am pleased to see that our experience has now been endorsed, in particular by the European Central Bank. Who should set the inflation target? Our experience has been the following: the inflation target needed to ensure price stability should, if not fixed then at least strongly advocated by the central bank. Why? Firstly, for the reason given by Wim Duisenberg: we do not have a federal government. Secondly, we are a central bank serving eight countries with different economic structures, different levels of development and different fiscal objectives. Each minister of finance has different views on the level of inflation necessary or compatible with price stability and, most of all, the external value of the currency. Moreover, we have to ensure that our inflation levels converge: for sharing a single currency, we need to eliminate inflation differentials as much as possible. Monetary policy is an important instrument, the ultimate instrument. It must be firm where fiscal policies are unable to ensure convergence in inflation rates. Consequently, we believe that the central bank must set the inflation target, while of course discussing the issue very seriously and openly with the ministers. These are our actions with respect to inflation.

Though our missions are the same, central banks of developing countries, and in particular the Central Bank of West African States, have specific responsibilities. On this issue, I am in complete agreement with Governor Jalan: we do have a role to play in the eminently structural process of development, namely, in the transformation of economic structures. This, to a certain extent, is not really the case in the industrialised countries. Preparing for this symposium, I asked myself the following question: “what could be the specific missions of a central bank serving several developing countries, countries which are preparing to effectively implement the concepts of independence and accountability, that is, which also want to be on an equal footing in the global arena?”

I wish to make a couple of remarks here. The Central Bank of West African States enjoys the exclusive privilege of bank note issuance throughout the territory of its member states. In fact, with us in this room also is a colleague who could have been sitting exactly where I am, for he represents six other African countries. Within the framework of general goals, our mission is also to regulate overall liquidity, to ensure the optimal allocation of available resources and to promote economic development and growth. We must, and here we are like the rest of the world, accomplish these objectives in a framework which we deem independent. This means being independent not only in our management but also, as the Prime Minister stated this morning, showing independence of mind. To me, independence of mind in fact precedes independent management. I consider the independence of mind of central banks to be the Governors’ ability to say “no” when, obviously, the answer is “no.” We have exercised this type of
independence throughout our forty years of existence. Jean-Claude Trichet, Jacques de Larosière and Michel Camdessus, who have all sat on our board of directors can attest to this. You see why we have recorded some achievements: the board of our bank has had some notable directors. I wish, by the way, to thank them for their contributions.

I shall now touch on the specific tasks of a central bank in a developing country. In addition to all that has been said, all that is common to all central banks, our central banks must create an environment which fosters development, in other words, which makes it possible to change the economic structures. The Central Bank of West African States has played an especially important role in our region, be it with regard to foreign exchange regulations, financial regulations, banking legislation or even the repression of financial offences and banking supervision. As we saw this morning, there can be no monetary stability, no price stability without a sound banking system. We contribute greatly to the definition of supervisory rules and also to supervision itself. In the two zones (West African Economic and Monetary Union and Central African Economic and Monetary Community), the Governor, in his capacity as President of the Banking Commission, ensures this supervision. We also participate in what we call the promotion of development financing: a proportion of central bank earnings is paid into the budgets of the countries, which hold identical shares in the capital.

Another part is assigned to a development bank, whose role is to finance the economies so as to reduce the inequalities between the countries. I am talking about the West African Development Bank, “daughter” of the central bank, which has a stake of almost 45% in it. Recently, we also played an essential role in promoting and strengthening economic integration. As the monetary union of our countries preceded their economic integration, we were sharing a common currency without having co-ordinated economic policies. The central bank has had to play an important part in the extension of economic integration.

I would like, briefly, to point out other specific missions: we are working on the economic policy environment in order to harmonise economic and financial regulations so that all players (banks, firms) comply with the same standards. We have worked a great deal on these questions and now have an accounting framework and a single chart of accounts for banks. We have also drawn up a West African accounting system for firms in order to pave the way for a diversification of financing mechanisms and the emergence of a regional capital market. A regional stock market bringing together all the players from the eight countries opened in September 1998. In this market, operators all over the Union can carry out transactions in real time via an integrated computerised system. These, then, are a few of our actions. I have not mentioned the work on the development of micro-finance in terms of regulation and operational actions, which we have carried out in our quest to diversify the financial landscape. Like all other banks, we are also working on centralising payment incidents and, currently, on modernising and overhauling payment systems and media. As you can see, we have a wide range of actions to shape the structures and environment of monetary policy. In my opinion, they are all of vital necessity in order to strengthen the effectiveness of monetary policy and improve transmission channels.

I will end by saying that, as concerns reinforcing human resources, which is at the heart of the matter, development cannot be complete if the people are not
capable of understanding what is going on. This constitutes a further mission, in any case, a specific role for us, and we have invested a great deal in training. I believe that this investment is appreciated because the central bank is called upon by the governments. The employees and executives of the central bank are in demand to occupy important positions in our public services. I wish to point out in passing, but this is not the most important point, that we have several ministers who stem from the central bank.

Mr Chairman, in conclusion, our general tasks and responsibilities are the same and we are reassured to see that we are not beside the mark in our daily activities. We share the same history, but the central banks of developing countries, in particular those of the poorest countries, do indeed have specific goals geared towards structural change. Any contribution I can make would therefore be in this light.
Jacques de Larosière

Honorary governor
Banque de France

I would like to comment briefly on Peter Kenen’s interesting paper in the light of my own experience.

First, I believe, as he does, that the days of central bank fine-tuning are behind us. The idea that the central bank must systematically maintain low rates even if this means tolerating “a little more inflation” in order to foster economic growth has been refuted by recent experience and history. These policies, which led to a string of “stop and go” measures, had negative long-term consequences on growth and employment.

One may therefore rejoice in the fact that an increasing number of countries are now assigning a price stability target to their central banks, which, furthermore, have been made independent.

Secondly, with regard to fixing the inflation target, I, like Peter Kenen, consider that—on the basis of the knowledge we possess today—a simple and overall indicator such as the consumer price index should be used. I fear, as he does, the risk of manipulation which could arise should certain extraneous elements be excluded from the index.

Even if the publication of inflation forecasts may be justified for a central bank that has an inflation target, I am not convinced that this is a rule which can be applied generally. With regard, for example, to the European Central Bank, I reckon that “monetary communication” may be achieved, not necessarily by publishing formal inflation forecasts, but through the regular publication, by the ECB, of an analysis of inflationary risks based on a large spectrum of leading indicators of inflationary pressures.

Besides, as Peter Kenen stressed, official publications of inflation forecasts are based on fixed monetary and fiscal policy hypotheses, which could lead the market to faulty interpretations of the overall monetary policy stance.

Furthermore, concerning the inflation target, this should not involve a mechanical application but rather the assessment of monetary stability in the medium-term. If certain extraneous and circumstantial factors caused inflation to exceed the chosen reference level over a short period of time, the bank would be at liberty to provide explanations, without necessarily having to make untimely adjustments.

Thirdly, like Peter Kenen, I believe that, today, central banks cannot ignore trends in asset prices. It is quite understandable that monetary authorities should attach a great deal of importance to trends in asset prices in a world in which in...
certain countries, especially the United States, consumer behaviour is so strongly influenced by trends in stock market prices, and in which the value of the collateral—very volatile in itself—has a direct impact on lending and consumption volumes. The problem is nonetheless complex. Inflation is indeed increasingly difficult to define. Limited to basic goods and services, the definition is losing its significance in a world dominated by financial markets and in which future consumption prices—reflected in financial asset prices—are of vital interest. But when extended to financial assets, this definition of inflation raises delicate questions of concept, evaluation and interpretation.

Fourthly, I am in complete agreement with the writer as regards exchange rates. Current fashion would seek to confine exchange-rate policies to two extreme models: a freely floating rate or a rate firmly pegged to an external currency via a currency board.

This view has no theoretical or practical underpinnings. Numerous countries, my own included, profited greatly from the exchange-rate discipline imposed by the European Monetary System. It could be in the interests of a number of countries, particularly in central Europe, to take up intermediate regimes or fluctuation bands before adopting the euro.

Finally, I have my reservations on the publication of the minutes of monetary policy debates. For the European Central Bank, however, I believe it is imperative not to publish these minutes, for it is indeed crucial, as Peter Kenen admitted, to avoid all hint of home-country pressure on Governors.
In the last twenty-five years macroeconomic policy in most Latin American economies has suffered an important transformation. With respect to monetary policy, the idea that it was possible to eliminate the costs of high inflation by developing sophisticated indexation mechanisms is gone, and average inflation in the region has fallen from 153% in the 1980’s to 7% in 1999. What is also striking is that many of the countries that suffered the highest rates of inflation are now the most virtuous, having already achieved price stability.

In the 1970’s and early 1980’s institutional and structural problems led to severe macroeconomic imbalances in many Latin American countries that impeded central banks to accomplish their primary goal of price stability. The reform process that gained strength in the region during the last decade shaped the evolution of monetary policy. The main factors that influenced the transformation of central banks in Latin America were:

– The mounting evidence that shows the costs of inflation in terms of output growth, income distribution and financial sector deepening, and the regional experience with high rates of inflation, which in some cases became hyperinflation. These factors temporarily closed the door to any short-term benefits associated with discretionary monetary policy and increased the awareness of the high costs and limited benefits of the monetary authority not focusing on price stability.

– After years of fiscal mismanagement, there has been an important strengthening of public finances and a trend towards improving fiscal institutions, eliminating pressures for monetizing public sector deficits.

– The balance of payments and financial crises of the 1990’s evidenced the difficulties faced by countries that try to fix their exchange rates in a world of highly mobile capital. Since the Mexican crisis of 1994-1995, several countries of the region have abandoned their predetermined exchange rate systems and adopted some form of a floating regime; others, like Argentina, were able to sustain their exchange rate due to the institutional support provided by the currency board. To touch upon one of the issues mentioned by Peter Kenen, I should highlight that the floating regimes of the region have major differences between them related to the volatility of exchange rates and interest rates, the degree of attention paid to the exchange rate in the execution of monetary policy, and the degree of intervention by the central bank. However, the major point is that these regimes avoid explicit commitments regarding the level of the exchange rate and therefore, eliminate the possibility of costly games being played between market participants and the monetary authority.
These three factors led in the late 80s and early 90s, to a move towards granting independence to some regional central banks and assigning them the clear objective of pursuing price stability. The independence gained by the regional central banks gave incentives for further consolidation of public finances, given that it forbade the monetary authority to finance public sector deficits. In most cases, the independence was granted during a period when predetermined exchange rate regimes were in place, therefore the operational aspects of monetary policy did not change much.

The adoption of floating regimes proved to be the other big influence that affected monetary policy in the region. It seems that, given the vulnerability of many Latin American economies to changes in commodities’ prices and capital flows, a floating regime is an appropriate currency arrangement. When the Mexican peso was devalued in December 1994 and a floating regime was adopted, we did not have that many examples to follow of emerging markets with truly floating rates. Due to the lack of credibility of policy announcements, it was imperative to adopt a highly visible intermediate target. Therefore, Banco de México announced a ceiling on the yearly growth of the monetary base and limits on the expansion of its domestic credit. The program also included an annual inflation objective, and a borrowed reserves instrument, which allows for tightening the monetary-policy stance in order to comply with the inflation goal. As inflation decreased, the short-run instability of the relationship between money growth and inflation became evident. Consequently, the bank shifted monetary policy toward emphasizing the inflation objective. Since then, Mexico’s monetary policy framework is converging towards inflation targeting. This strategy has been successfully adopted by several developed economies in recognition of the reduced effectiveness of monetary targeting as a tool for generating price stability.

Several elements make up the bank’s inflation targeting framework. The first is the objective of achieving an inflation rate lower than 10% in 2000. The second is a medium-term goal of reducing inflation to the levels prevailing in the economies of our Nafta partners by 2003. The third is an immediate and continuing assessment of inflationary pressures to guide monetary-policy actions, which is made public in our quarterly inflation report. This strategy has allowed the Banco de México to achieve a significant reduction in annual inflation, from 52% in 1995 to less than 9% this year.

Other countries in the region that have also turned towards inflation targeting are Chile and Brazil. Chile underwent a gradual transition where an inflation targeting framework coincided with a crawling exchange-rate band. Last year, once the effects of the international financial crisis receded, Chilean authorities decided to abandon the exchange rate target zone and let their currency float. In addition Banco Central de Chile recently published its first inflation report. On the other hand, Brazil embraced a full-fledged inflation targeting framework immediately after the devaluation of the real, as a way to generate sufficient confidence in the new regime to avoid the inflationary effects of the devaluation. Until now, as has been the case in Mexico, these experiences have been positive for our countries.
Instead of focusing on the more technical details of inflation targets, I would like to highlight what, in my view, are the main advantages of the framework. On the technical side, I think inflation targeting does not recommend anything new. Given that, in a world of floating exchange rates and unstable relationships between monetary aggregates and prices, the only alternative is a forward-looking monetary policy, is the way policy is conducted by inflation targeters and non-inflation targeters alike. Therefore, the strengths of inflation targeting rest on establishing a transparent framework for the conduct of monetary policy. This is useful as a marketing device, a communication tool and a mechanism of accountability to the public at large.

In the first place, establishing a clear set of short and medium-run objectives, and setting up the channels through which central banks communicate what actions are being undertaken to accomplish these goals, increase the efficiency of monetary policy. This is the case because the effects of monetary policy actions on the whole yield curve and other asset prices hinge heavily on expectations. Therefore, if the actions undertaken by the monetary authority are clearly interpreted by market participants, their effect on long-term interest rates and other asset prices will be closer to the one desired by the authorities. Second, by providing a structure which allows short-term deviations from the target when negative shocks appear, while maintaining the long-run inflation objective, this long-run target plays the role of a successful nominal anchor. Third, by explicitly talking about the balance of risks in the inflation projection, and in some cases even quantifying it, the monetary authority is able to convey the message that there is a need for constant monitoring and quick reactions in case a negative shock arises by clearly specifying what would happen in the absence of a policy response. Fourth, by establishing clear mechanisms of accountability, the inflation targeting framework provides a useful technology to discipline the monetary authority and supports compliance with the targets. Finally, by increasing society’s awareness regarding the benefits of price stability and raising the visibility of the goals of monetary policy, the central bank influences other macroeconomic policies so that they are consistent with the inflation targets.

Let me now turn to the challenges faced by the inflation-targeting central banks in the region.

First of all, although Chile, Mexico and Brazil have had successful experiences to date, the latter two countries still need to bring inflation down to the level observed in developed countries, a phenomenon that has not been seen in our economies for quite some time.

Second, due to our history of high inflation and unsound fiscal policy, inflation expectations and inflation itself are extremely sensitive to exchange-rate movements. Although the macroeconomic situation has changed, expectations are still heavily influenced by too many years of instability, forcing the monetary policy reaction function to be very responsive to developments in the foreign exchange market. This necessary response reduces the advantages of the flexible exchange rate as a shock absorber, while the solid macroeconomic framework forces a change in the way expectations are formed, credibility is built up and the pass-through is reduced. Once this is accomplished, the exchange rate will play more its role as a relative price and will stop being a signal of future inflation. Therefore, the full benefits of the regime will come into effect.
I think that the success or failure of the inflation targeting strategy will shape the future of central banks in the region. The currency and financial crises experienced by the European Monetary System in 1992, by Mexico in 1994-1995 and the international financial crisis of 1997-1999 have convinced me that there is no comfortable middle ground between some kind of floating exchange rate with an independent monetary policy and the adoption of a common currency with the abandonment of monetary autonomy. The recent experiences with inflation targeting in emerging markets and the common currency in Europe will provide important references for the consolidation of central banks around the globe or their eventual concentration into a few regional monetary authorities.
CENTRAL BANKS AND THE MARKETS

Edward George
Chairman

William McDonough
Sirkka Hämäläinen
Yutaka Yamaguchi
James Wolfensohn
Donald Johnston
David de Rothschild
Jean Tirole

According to their order of presentation
Constraints and Tactics for the Conduct of Monetary Policy in Globalised Markets

Edward George
Governor
Bank of England

On behalf of all the panel members may I congratulate the Banque de France on its bicentenary; and I congratulate Jean-Claude Trichet on arranging this colloquium as part of the celebrations of this milestone in central banking history.

The topic for this session is “Constraints and tactics for the conduct of monetary policy in globalised markets”.

That’s a very broad topic—and we have a very distinguished panel of speakers to lead off our discussion.

I thought in these circumstances that I might usefully use my position in the chair to suggest some aspects of the topic which the panel may care to touch upon in their own remarks.

I start from the presumption that international free trade and the free flow of capital, are essentially “a good thing”. They contribute in principle to international competition and more productive resource allocation—increasing the potential for world economic growth and rising living standards. There are inevitably qualifications to this general proposition. International resource allocation is no doubt affected by national distortions of various kinds, for various good or bad reasons. This is often a function of a country’s stage of development. I agree that to fully participate, countries need to put in place an appropriate infrastructure. But globalisation drives deregulation and is, in turn, driven by deregulation.

In my own view, international integration—and in particular the flow of capital that has facilitated the rapid expansion of the emerging market economies in recent years—is the best thing that could have happened for the whole world economy.

A consequence of international integration is that it increases the exposure of national economies to external-shocks, which is an important factor influencing the design of an appropriate monetary policy strategy.

I suppose that there would these days be fairly general agreement that the role of monetary policy is to provide a stable macro-economic environment—often defined, explicitly or implicitly, in terms of stable, low, inflation. But I take
Bimal Jalan’s qualification—recalling that stable low inflation is a relatively recent development. Historically inflation was volatile when economies were more dependent, for example, on agriculture and primary products.

Monetary policy operates on the demand side of our economies—domestic demand. That means in practice that our aim is to keep the growth of aggregate demand more or less continuously broadly in line with the underlying growth of the supply-side of the economy to meet that demand. We cannot expect to affect the supply-side of the economy directly ourselves, but maintaining stability in this sense is the best help that monetary policy can give.

But even if we agree on the role of monetary policy in this sense, that does not in itself define a particular strategy for carrying out that role. A key choice is between a strategy directed primarily at internal-stabilisation on the one hand, or a strategy directed primarily at exchange rate stability on the other. Internal stabilisation (money supply or inflation targeting, for example) may involve accepting greater potential exchange-rate volatility, whereas emphasis on exchange-rate stability—while it may help a country to import price stability from the economy of the country to whose currency it is pegged—may conversely involve greater internal volatility.

The appropriate strategy depends very much on national characteristics such as relative size, commodity composition of output, degree of integration/convergence with the economy of the partner country, state of economic/financial development—robustness of financial sector and so on—and it can clearly change over time.

But whichever approach you adopt you can’t ultimately avoid taking account of the interaction between domestic and external developments—as I can testify from personal experience in the United Kingdom, where we’ve tried every possible strategy in the past twenty-thirty years (bar one, of course, monetary Union—though it is clear that you don’t altogether avoid the interaction even then!).

Now this has all been true for a long time. The effect of globalisation—especially financial globalisation—involving global investment on a more massive scale, resulting in closer integration of financial markets in both industrial and emerging countries, is essentially a difference of degree. It can be seen as an extension of the evolution from administered money to market money, as Jacques de Larosière suggested earlier. And it does not point clearly, in my view, in one direction or the other in terms of monetary policy strategies. Greater integration may over time cause national economies to move more closely together and converge. But it may mean greater potential volatility. That can complicate a strategy of internal stabilisation but equally act as a more powerful external discipline on such a strategy. But it may equally make a strategy of exchange rate stabilisation more difficult to sustain—requiring more active management of national balance sheets and external liquidity, more attention to financial structures, and in some cases more orderly arrangements for involving the private sector in management of crises.
This sharpened dilemma perhaps helps to explain why some people now argue for the two-corner approach to exchange rate regimes—free floating or effective fixity—on the basis that you’ll otherwise end up with the worst of both worlds. I’m not sure myself if it is as clear-cut as that. I agree with Peter Kenen that, where there is a reasonable degree of convergence between countries and the structures of their economies are not radically different, one may be able to balance internal and external pressures—and thus manage the exchange rate to some degree—between free float and fixity. Many countries do.

As far as monetary policy tactics are concerned I suppose there are two main implications of financial globalisation.

The first relates to foreign-exchange market intervention where it seems to me that the potential scale of international capital flows has reduced the appetite for official intervention—which may normally need to be on a much more substantial scale than in the past if it were to be effective. One can’t go against the grain of the market place.

The second relates more generally to movements in asset prices—including exchange rates but also other financial asset prices—where it is widely recognised that these will have implications for future economic activity and price stability that need to be factored in to monetary policy decisions. But it is virtually impossible to anticipate future sharp asset price movements.

I agree that one needs to be forward looking—as suggested by Peter Kenen—although we really don’t know with confidence what is driving asset prices—and certainly the timing of sharp movements, even if you expect them to happen. That may have implications for the sensitivity of monetary policy to sharp asset price changes when they do occur. One needs a readiness to respond—though that would obviously depend upon the whole range of other developments at the time. This raises the question of whether one should be less pre-emptive than one would otherwise choose to be?

One final point on communication with markets and indeed with the wider community. The overall effect of globalisation is to increase the constraints on monetary policy—regardless of the strategy adopted. That in my view puts a greater premium than ever on transparency—being as clear as we can be in explaining what precisely we are seeking to achieve—including the limitations on what we can hope to achieve; and seeking to convince people that our actions are consistent with our objectives. Provided the words and music do in fact agree, that will help market participants better to anticipate how we are likely to respond to new developments, so that their actions may then contribute to greater stability. At least it’s better than keeping them in the dark.
Central bankers are in general agreement as to what they are trying to achieve, but in a globalised economy, the history and culture of a particular country often determines the way in which that country expresses its policy goals. In the United States, for example, many people have very bad memories of the Great Depression. Consequently, it is not surprising that the Congress, representing the American people, has given a general mandate to its central bank, the Federal Reserve, to pursue a monetary policy that achieves sustainable economic growth and price stability.

Why is sustainable economic growth important? Well, if you look at twenty years or so of an upward economy in two different countries, one that has a strong steady trend and the other with rapid cyclical changes, perhaps the gross domestic product would not be much different at the end of the period. But certainly, the social effect in the country with the non-cyclical economic growth sustained over time is much better indeed.

Those people in our society who are less well off, who live on fixed incomes or welfare payments or very low wages, cannot easily endure the effects of inflation. When prices begin to rise, their purchasing power is reduced and they suffer loss in terms of their real income. When that occurs, the central bank may be forced to take action to stifle inflation through a restrictive monetary policy. As a result, the people who were the last to get jobs are often the first to lose them. For this reason alone, the social benefit to society of sustainable economic growth is undeniable. And the best way to achieve sustainable economic growth is through price stability. The enemy of sustainable economic growth is inflation. The effects of inflation are so pernicious and bad for society that it is best to avoid them by pursuing a sound, long-term monetary policy.

If inflation is to be avoided, there are times when the central bank must act, even when there are no clear indications in the price data that inflation is about to occur. In early 1994, for example, policy makers at the Federal Reserve were quite sure that inflation was about to become a very real danger. We acted to double the official interest rate, from 3% to 6%, over a period of one year ending in the early months of 1995. Although it may be faulty logic to draw a direct
conclusion from our action, the renaissance in American productivity—the source of our current strong economy—began two quarters after the end of this period of pre-emptive monetary tightening.

On the other hand, if inflation cannot be avoided through pre-emptive action, and if it doesn’t occur as the result of a manageable external shock such as an oil price increase, it must be fought. Any decision not to fight inflation, not to end it, not to bring back price stability, would exact a social price that would be much too costly.

But how do we explain this to our citizens? Many of the people in our countries aren’t familiar with the terminology of monetary policy. And so, we central bankers have to become much better at “preaching” what we are trying to achieve for the good of the people we serve. As the head of a central bank we all must become very effective communicators. This is especially important in central banks organized along regional lines, such as the Federal Reserve and the European Central Bank. In our institutions, officials at the grass-root level must get out and meet with the citizenry in community groups, schools and various other places in order to explain policy to the people. This is absolutely essential if the central bank is to get the political support it needs to carry out its mandate.

It also is important to communicate with the financial markets to prevent them from overreacting to what they perceive is a policy move or possible move, on the part of the central bank. Having the markets understand reasonably well what the central bank is doing, for the most part, is very helpful to the bank’s efforts. However, it’s almost impossible to achieve the proper balance, particularly when there is a change in policy direction.

In the beginning of 1994, when the Federal Reserve began a period of firm policy for the first time in a number of years, we were very open about the fact that we were going to tighten monetary policy and yet, to some degree, markets were surprised by our action. Today, the markets are quite convinced that we will maintain a firm monetary policy forever and yet, at some point, we will stop firming monetary policy. When that happens, my sense is that the markets will be surprised.

In my role as the chairman of the Basel Committee on Banking Supervision, I believe that we central bankers also should remember that, in a globalised society subject to external shocks, the ultimate shock absorber is a strong banking system. Looking at recent experiences in Asia, for example, countries that endured external shocks quite well, such as Singapore and Hong Kong, were those which had strong banking systems. The countries which suffered most were those which had relatively weaker banking systems. Let me conclude then, Mr Chairman, with my strong belief that there is no more important activity on the part of a central banker than to be an effective communicator, with sound supervision over the banking system.
I should like to start by joining the chorus of those offering their congratulations to the host of this splendid birthday celebration—the Banque de France. I am very honoured to have been invited to this bicentennial symposium to discuss a topic which is very close to my heart, namely the interaction between central banks and markets.

Over the last decades, we have experienced phenomenal developments in the financial markets, spurred by technological progress, financial innovation and liberalisation of capital flows.

In the new environment of global financial markets, policy-makers—not least central banks—increasingly need to take into account market participants’ perception of their policy actions. It is necessary to pursue disciplined and long-term-oriented policies. Short-term oriented, pro-cyclical or undisciplined economic policies immediately lead to “punishment” by the markets.

The credibility of any central bank is first and foremost the result of its proven track record. In the Eurosystem, we can certainly build upon the track record of the central banks of the participating Member States. Nevertheless, it goes without saying that the new institutional structure should also be measured on its own merits. In this respect, we are still in a sort of test phase, in which our actions are closely scrutinised by market participants and analysts.

In the new world, credibility built solely on track records is not sufficient. The credibility of a central bank also requires that the policy actions be continuously understood—and seen as well-motivated—by the market and the general public. Against this background, central banks all over the world are placing increased emphasis on their communication policy. The Eurosystem is by no means an exception in this respect. We have during this seminar already heard about the numerous examples of initiatives taken by the Eurosystem to promote understanding of its monetary policy and I will not repeat them here.

Notwithstanding the efforts to improve transparency, the Eurosystem has often been criticised for not being sufficiently clear in its policy implementation. Some criticism has focused on our two-pillar strategy, in which the giving of a prominent role to monetary developments is combined with a broadly-based assessment of the outlook for price stability. Many analysts and academics consider this strategy to be too complex or even confusing. On the other hand, I find it revealing that they are far from unanimous on which of the two pillars we should base our strategy.
To my mind, at the current phase of the new regime, it would be unfortunate to limit our strategy to any one of the two pillars. It would undoubtedly limit the analysis, narrow the focus of the discussion and reduce our flexibility in a situation in which we are still working hard to better understand how the transmission mechanism works in the euro area as a whole. Markets seem to expect a simplistic strategy for communication purposes in a complex world. In fact, they require us to be more simplistic than, for example, the Federal Reserve, which has had plenty of time to map the transmission mechanism in the United States, but still has not published any explicit strategy.

I admit though that we have not always been very successful in our communication policy, despite our ambitious intentions. The task of communication is difficult in a pan-European context in which differing cultures, languages, traditions and motives affect how different counterparties interpret the messages. It has been said that we have been too active in our communication policy—with too many spokesmen for one system. Clearly, for a high degree of credibility, it is important that each policy message be carefully crafted and that policy messages are perceived to be mutually consistent. Of course, this has been—and still is—more difficult in a system with many voices. There are good examples of this from other similar systems in the past—such as the Federal Reserve and the Deutsche Bundesbank. Our special problem in the Eurosystem is the fact that we are a new institutional structure with the responsibility for monetary policy in a new economic area comprising many countries.

I know that it is dangerous to criticise the market, but I should nevertheless like to underline the fact that many market participants act on a very short-sighted, speculative or even emotional basis. This is not always easy for medium-term-oriented central bankers to understand, but it is the environment in which we have to live. It is difficult to come through with positive signals in times of a strong negative market sentiment. The history of market overshooting repeats itself.

The competition for capital has become increasingly fierce on a global scale and the perceived competition between the three large currency areas is very much a focus of discussion. As often in history, the analyses have become increasingly conformist. At present, the conventional wisdom seems to be that the European economies are suffering from chronic deficiencies, which translate into persistent lower growth, employment and productivity developments than in the United States. I find this conventional wisdom puzzling, since it is counter-intuitive and seems to ignore—or at least underestimate—the evidence suggesting that Europe has entered upon a path of strong and steady progress and change.

It is true that financial markets in Europe are less liquid and less developed than they are in the United States, but they are now developing and integrating at an unprecedented pace, very much thanks to the introduction of the euro. We are witnessing a decisive process away from segmented and inefficient national markets towards an integrated market structure, and this will produce large productivity gains for the European economies. The money market is already fully integrated in the euro area. The capital markets are integrating very fast.
and their importance as a source of financing for companies, not least in the growth sector, is increasing beyond all expectations.

At the same time, the single market has already brought about a large improvement in competition in product markets, and we are also experiencing a rapid strengthening of competition in the services sectors. We are witnessing an unprecedented process of corporate restructuring which will improve efficiency in all sectors of the economy. It should be noted that this corporate restructuring is taking place in parallel with a rather pronounced decline in unemployment. Jobs are indeed being transferred from the slow-growing sectors of the European economy into faster growing sectors.

Currently a tremendous development is taking place in the European IT sector. In certain segments, Europe has already assumed the global leadership role. It may very well be that Europe today is in the situation in which the United States was five to six years ago, at the beginning of a protracted period of high growth, large productivity gains and improved labour market conditions.

Clearly, it is important to proceed with structural reforms of, for example, tax systems, pension systems, labour markets and a further strengthening of competition in certain sectors. However, I should like to emphasise that the process is well under way in many countries. For example, I have recently seen studies showing that the labour market reforms already undertaken in some countries—albeit that these often tend to be hidden at the “grass-roots level”—seem to produce results earlier than expected. This may contribute to a more rapid reduction in unemployment than previously thought possible. On the whole, my view of the dynamism of the euro-area economy is much more optimistic than that reflected in the prevailing market sentiment. But is it possible that the markets are wrong?
In the Chairman’s opening remarks, the question was raised whether monetary policy should aim at “internal stabilization” i.e. price stability or “exchange-rate stabilization”. The Bank of Japan is required by law to pursue price stability as its objective. In practice, however, the distinction between the two can get much less clear and ambiguous. If we take Japan in the last few years, for instance, we often had a combination of weak macro-economy and a strong yen. In this kind of situation we have often faced difficulty in drawing a line between “internal stabilization” and exchange-rate stability.

A similar thing can be said about asset price and economic stabilization. When wealth effects are substantial and the economy refuses to slow down, how can monetary policy be most effective? Could it be effective without addressing the asset price? This is a real question we faced in the 1980s. And I still do not have a good and universally applicable answer. This is not a “disagreement”, which the Chairman encouraged us to offer, but rather a footnote to his remarks.

In the remaining next few minutes, I’d like to share with the audience some of the problems we have had in facing and dealing with the markets. We have seen apprehension in Japan and our neighboring countries in Asia about the power and volatility of the globalised financial markets. We now fully realize that the markets treat anomalies and inconsistencies harshly. The Asian financial crisis was a case in point. In Japan, too, shares of undercapitalized banks were sold heavily in 1997-1998. But it was such market response that finally persuaded our reluctant people to accept highly unpopular bank capital injection using taxpayers money. This process itself was unfortunate, but the ultimate consequence was constructive. As our example indicates, we sometimes have to accept the discipline the markets impose on us however unpleasant it may be. And, where possible, we should try to exploit the market pressure in our efforts to achieve desirable goals.

On the other hand, some problems with market forces are well known. The markets are short-sighted. They often tend to overshoot. In the monetary policy area, price formulation in the markets may simply be a reflection of expected policy path in the future. Therefore it would not be appropriate to simply “follow the markets”. The central bank needs to have an independent scenario for the economy and policy—it has to be independent from the market. But this “independence” should be pursued with full awareness that we might not know any better than the market. In this sense, we should perhaps leave room for modesty and decency even while we engage in a game or even battle with the market.
Finally, in our efforts to reduce market volatility, it would help if the markets were better informed of the central bank “reaction function”. Perhaps one such example is inflation targeting. In Japan, however, while average annual consumer price index inflation in the last fifteen-twenty years has been, at 1.2%, pretty close to complete price stability, economic growth has shown large volatility. With our key policy rate currently at zero, the capacity of monetary policy is severely handicapped to deliver a target inflation number. These are some backgrounds why the Bank of Japan has rejected strict inflation targeting. Based on our experience, a multiple variables equation with flexibility appears more desirable. Yet flexibility means discretion. It would not be constructive in terms of communicating with the markets if discretion led us to return to a “looking at everything” approach. What I have in mind is a middle ground between a strict rule and “looking at everything”. Markets would then be able to broadly rely on a certain direction and response of central bank policy in a specific economic context. The Bank of Japan is still in search of such a new style of monetary policy.
I was asked to give some observations in relation to developing and emerging markets and, in particular, to the role of central banks in the areas of market-conduct, constraints and communications with markets.

As I speak of 140-plus countries, generalities are very difficult. Nevertheless, what we have observed in the markets which we deal with, is that there is indeed general acceptance that sustainable economic growth and price stability are appropriate directions for central banks in emerging and developing economies. With regards to our Chairman’s comment that free trade and free flow of capital are the two aspects that have led to great development in the international marketplace—“the greatest gifts”, as he put it—I do think that free trade has been neglected and the free flow of capital has not always triggered an immediate boost to some fragile markets.

So the argument for free flow of capital is somewhat less fully accepted in developing countries, particularly at the short end of the market. And when we talk about the impact of short-term capital flows, this is an issue which is debatable in some countries that feel vulnerable to excess movements of capital in and out of highly unstable economies. So obviously some form of capital controls on short-term flows should be incorporated into economic policy.

A further issue which arises is the following. When central bankers talk of central banks, they talk of institutions that are independent and strong, and free, to a large degree, from the Finance Ministry and from pressures on the government to make up budget deficits. That is not always true and accepted in developing and emerging market economies. So one has to recognise that there is a greater fragility on the part of central banks in developing countries.

In formulating monetary policy, it is also clear that developing markets tend to be more volatile and are subject to the same problems as those incurred by a less diversified economy with weaker risk management both in the public and in the private sector. Also, the markets themselves are less liquid, so the possibility of intervention and of using markets as a cushion is certainly more difficult. The ultimate shock-absorber in the United States is the banking system, but in many of the countries in which I deal, there is no shock-absorber in the banking system. In fact, this amplifies the vulnerability factor since the shock-absorber which one can count on in more developed markets is clearly not there when you have a banking crisis and when there is a need for intervention, central bank support and government support.
Moving on from the issue of policy formulation, at the level of implementation, there is another distinction to be made. The first is that you have less access to capital markets for open market intervention. You do not have a very comprehensive interbank market, so the burden of monetary policy actions cannot be distributed as easily through banking systems and therefore falls very heavily on a small number of individual institutions. And there is also much greater pressure, in the issue of implementation, to finance government deficits. So when you talk of central bank intervention in emerging and transition economies, you need to look at the very different positions that they have. Picking up on another point previously referred to, the impact of these changes in monetary policy and the impact of inflation on the poor are greatly increased in countries where you have high levels of poverty. This creates a greater difficulty for some central banks faced with intervention and policies that have an immediate impact on the poor.

So I would simply urge you, when you think of the market place of emerging and transition economies and talk of the role of central banks, to recognise that their relative position is really very different. I ask those of you in the more developed economies also to recognise that part of the responsibility in developed economies is to assist the central banks in developing economies to strengthen their systems: to provide assistance in terms of technical assistance and training, and to try and help in the formulation of financial policies and structures. We, at the Bank, are working together with the International Monetary Fund in financial policy assessments.

If I could make a plea, given this unique location for me to speak, the help that we need in terms of strengthening the total system is very real. We thank you for those who have already helped us and very much hope that in the future, you will continue to give us that help, so that together we can strengthen the global system, including emerging and transition economies.
Donald Johnston  
*Secretary General*  
*Organisation for Economic Co-operation and Development*

I would like to thank the organisers for inviting me to take part in this prestigious panel on the occasion of this historic celebration.

Our subject “The relationships between central banks and the markets” is, of course, of great interest, especially in light of the extraordinary current economic growth, in particular in the United States! At the OECD, we are on the brink of finalising a first report for the member countries, which attempts to analyse the components of growth and answer the question “Is there a New Economy?”.

Given its global nature, the OECD is well equipped to take up the challenge of the interdisciplinary work necessary in the economic, social and technological fields to carry out such a study. Nevertheless, at the end of the project, we will probably still have as many questions as definite answers!

I raise this issue because monetary policy is perceived, and rightly so, as the cornerstone of this economic expansion. The public at large does not always understand central bank policy. This leads me to broach the subject of communication and its importance in explaining our policies to the citizens.

Financial markets and specialized members of the media well understand the objectives of central bank policy today which focuses on achieving “price stability” in the medium term. That means, as Alan Greenspan says, “Price stability obtains when economic agents no longer take account of the prospective change in the general price level in their economic decision making”. I imagine that those of us who lived through the horrors of stagflation in the early 1980s, especially those of us who were in public office as in my case, would opt to see central banks overshoot rather than undershoot in order to prevent overheating and an explosion of inflation. I say that because run-away inflation is probably one of the greatest threats of economic waste to social equity and social cohesion.

This means that central bankers must stay ahead of the curve and their success in so doing has been quite remarkable. But what a difficult balance to strike, especially when much of the public urges a less restrictive approach in order to keep the expansion going. I met last week with senior representatives of the international labour movement. They expressed strong fears that a too restrictive monetary policy will bring growth in the OECD area to a halt.

Fair enough to express that view and to urge other approaches—this is good in a healthy democracy—but that is why central bank independence is so critical. Removing the control of central banking from the pressures, and sometimes irrationality, of the political process, is as important as having an independent judiciary. Were Montesquieu with us today, he would probably add the
importance of an independent monetary authority to the separation of the executive, legislative and judicial branches of government. At least many of us would encourage him to do so!

I believe nearly all would accept the wisdom of that independence, especially if they were to see clearly how it is being exercised and the objectives that central bankers pursue. The central question of central bankers, put simply, must be: how should monetary policy contribute to sustainable economic growth, price stability (which needs definition in the public mind), and as low a rate of unemployment as possible. Now, on the latter point, my labour interlocutors were somewhat cynical about the relevance of the versatile, now falling NAIRU. Here again, OECD’s cross-country analysis on the “new economy” and measurements of productivity may indeed shed some light on the importance and value of the NAIRU concept to decision-makers.

So, there is a communication-education challenge here for politicians, but independent central bankers must share this challenge of communication. Their communication must be pro-active, to help the general public understand that setting monetary policy is not arbitrary, even if areas of uncertainty exist and must not be hidden. Central bankers analyse vast streams of data which indicate positive and negative trends which, in turn, must be interpreted with enormous care, and then best judgements are exercised. More important, central bankers must be clear that the objective is not to achieve a “soft landing” but hopefully no landing at all, but flight at an altitude which can be sustained.

A last, equally important, point is the interest shown by central banks, through their spokespersons, in the well-being of citizens in general. This does not mean involving them in political debates, but making use of their access to information and their analyses in order to underline, if necessary, the deficiencies of our respective systems in spreading equitably the benefits of growth. These objective analyses of the “real economy” help politicians implement policies that could improve social investment in pursuit of a democratic economy.
David de Rothschild
Senior Partner
Banque Rothschild & Cie

After these very eloquent speeches, what can you expect from a French investment banker? Certainly not sophisticated comments about monetary policy because this is not my area of competence, so I would just like to make, maybe a few basic remarks as a practitioner.

First, as has been said previously, markets need or want central banks which have a political support, but which are not under the direct influence of politicians. This has obviously been the case, and is still the case, in most of the important financial markets, and the influence and the authority of central banks and central bankers have grown accordingly. If you look at Europe, in which a Frenchman takes a particularly important interest, no one would dispute the fact that the establishment of the European Central Bank has been a major event. And in this particular case, markets seem to consider that it is absolutely crucial to have as strong as possible a central bank in Europe because it is dealing with a complex currency—a currency which is still trying to find its identity. We all know how much a currency is a symbol of a country’s sovereignty, an immediate perception of the economic realities behind it. For the euro, it is a more complex task and this commands a stronger central bank.

My second comment is that markets and monetary authorities seem to have no other choice than to live closely together. And it seems that central bankers have become—or have always been, perhaps—masters in reconciling the constraints of their monetary policy with market expectations. Market operators usually believe that they are very astute when they can guess where interest rates are going. Usually, their guessing stems from a subtle communication on the part of central banks. This is clearly one of the great successes, as we see it here, of the monetary policy in the United States of America. And when you see that the interest rates go up half a percent and then the markets go up rather than go down, it is a sign of good communication between the two and a good understanding. I believe that there are even moments in time when the osmosis between markets and central banks becomes so patent, so evident that markets move in a direction that anticipates a decision from the monetary authorities, which then enables those authorities to postpone or limit the magnitude of their decision. Probably, this is the art of the exercise in which central bankers have proved to be very competent and I need, as a man of the private sector, to pay homage to that skill.

If we go back one minute to Europe, the markets and the ECB are learning every day how to cohabit better. The dialogue seems to improve and the markets are comfortable and have trust in the way in which monetary policy is conducted. We are all concerned by an obvious point—and forgive me for raising it again. Although markets want separation between central banks and governments, the
situation in Europe is obviously more complex because the central bank has to operate a single monetary policy in an environment in which there are several economic and fiscal policies that do not yet converge. And, obviously, the market is questioning when and how long this convergence will take place.

A final comment: for the markets the horizon is mostly short-term. Monetary policy, I assume, has to be medium—not to say long-term—focused. Those who live in France will remember very well the complaints from all sorts of operators when, before the euro, some of the European currencies—such as the franc and the deutschmark, to be specific—were perceived as unduly strong. Today, others bring up concerns about the relative weakness of the euro versus the dollar but think of what would happen to stockmarkets if the dollar abruptly fell against the euro. It is clear that markets do not like flamboyant declarations, they do not like brutal shifts in monetary policies and, at the end of the day, which is most of the time the case when common sense and stability prevail, most of the economic agents find their way and do more or less well for themselves.
It is of course a great honor and pleasure for me to participate in this bicentennial colloquium of the Banque de France.

Let me begin with two preliminary remarks.

First, a discussion of transparency of central banks vis-à-vis the markets necessarily overlaps with some of the themes of the next session, on accountability to the public opinion. Central banks have multiple audiences, amongst which their public opinions and markets. They cannot send different messages to different receivers, and so what makes a central bank politically accountable often tends to make its policies more transparent to markets.

Second, I will use the European Central Bank (ECB) as an illustration, although what holds for the ECB (or for the Federal Reserve System for that matter) need not apply for example to the central bank of a small open economy, for which the credibility issue looms larger.

Concerning the ECB, let me remind you of three institutional features: the ECB is independent regarding its goals and instruments; it imperfectly discloses its goals and forecasts; and its members are collectively rather than individually accountable. These features, except for independence with regard to instruments, are potential objects of debate. While the ECB, in my opinion, has done an excellent job so far, one may ask whether this performance is not due primarily to the superb credentials of its initial leadership and whether the institutions set up for the transition will still be appropriate in the long run.

To be honest, economics has so far delivered no definitive answers to the complex questions discussed in this session. Economics however can provide a few insights and help frame the debate. Let us address a few questions.

Should the ECB set its own goals (within its broad mandate of course) or should political authority prevail (as in the United Kingdom)?

According to economic theory, the political accountability process performs better when the electorate has well-informed views on the matter or when the feedback lag from actions to performance is relatively short. Expressing this in simpler terms, accountability requires an electorate that is well-informed about the pros and cons of policies or else observes accurately the impact of policies that have been selected; when these conditions are not satisfied, the risk is that accountable officials pander to the electorate’s (possibly incorrect) beliefs about desirable policies.
This would seem to suggest that goals are naturally set by politicians while their implementation—a more technical matter—is left to experts. Things are probably more complex, though; what we would usually label central bank “goals” (an inflation target) are themselves in part “instruments” for higher goals such as growth and employment. The electorate may have a hard time understanding why so much weight is put on the inflation target for example; and so the political determination of goals, which is logical on a prima facie basis, is not without hazards either.

**Should goals and forecasts be disclosed?**

The ECB has come under attack for its somewhat ambiguous two-pillar policy objective. What does economic theory tell us in this respect? A basic idea in game theory is that a player playing a game against other players cannot lose from committing to a (state-contingent) strategy. The reasoning is simple; if the former player (the central bank) does not commit, the latter players (the markets) will expect some form of behavior and optimize against it. At worst, the first player can duplicate the resulting outcome by committing to what the others expect him to do in the absence of commitment. And in general, it can do better.

Of course, commitment may mean keeping some discretion in certain dimensions, both to react to news about the economic environment and not to reveal intentions to other players when this proves unproductive; in soccer, the goalee doesn’t want to commit to the side he will dive to at the penalty kick! But in general situations, no commitment at all is rarely optimal.

As for the stated goal, we may anticipate a renewed debate as to whether we should not consider slightly broader mandates than in the past, perhaps a Taylor rule (that is, a composite objective comprising both an inflation target and an output gap target) keeping price stability as its primary objective. After all, actual policies have often followed Taylor rules, despite announcements to the contrary. After all, a Taylor rule would make the trade-off between the two stated pillars of ECB policy more transparent. After all, Euroland is a relatively closed economy and the ECB may have less of a need to appear fully focused on inflation than its national predecessors; credibility is still crucial, but not quite as much as in the pre-ECB period.

This being said, it must also be acknowledged that continuity is important in the transition period and that the lack of consensus on the definition of the output gap complicates the selection of a specific Taylor rule. A simple rule might well be too constraining at this stage of our knowledge. In any case, we need to think more about the trade-off between accountability (which calls for more disclosure of targets than is currently the case) and the efficacy of the monetary policy.

**Should central bankers be held individually or collectively accountable?**

My hunch is that in the long term we should head toward individual accountability in order to promote reputation building. The incentives of ECB board members will be similar to those of Supreme Court Justices, who are primarily motivated by their legacy. Staying short of publishing the minutes (which may straightjacket discussion, or else move the latter to outside the boardroom), I guess that markets, academics, and the public opinion would not...
mind having detailed majority opinions with minority members expressing the reasons for their dissent. Individual accountability would likewise increase transparency and foreseeability by markets.

Are European institutions conducive to an efficient provision of liquidity?

There is probably a need to clarify the allocation of costs in case of banking distress or systemic crisis. The ECB can inject liquidity, but is somewhat constrained in its ability to target liquidity in the way the Federal Reserve System did so brilliantly in 1987. National authorities still play a considerable role in open market operations and in prudential supervision. While it is important to keep using their decentralized information and expertise, one should clarify in the medium run the sharing rules before the whole construction is in the long run brought to its logical conclusion, namely centralization. More transparent incentives will also provide markets with enhanced transparency.
DEMOCRACY AND THE CENTRAL BANKER’S ACCOUNTABILITY

Wim Duisenberg  
Chairman

Charles Wyplosz
Ernst Welteke
Tito Mboweni
Alan Greenspan
Samuel Brittan

According to their order of presentation
Ladies and Gentlemen,

On the occasion of the Banque de France’s bicentenary, it is a particular pleasure for me to chair this session on central bank accountability. We are fortunate this afternoon to have such a distinguished panel to discuss this extremely important topic. I do not want to delay the opportunity for the members of the panel to express their views. Nevertheless, I should like to make a number of introductory remarks, based on our own experience at the European Central Bank (ECB) since the introduction of the euro.

I begin with central bank independence. Arguments in favour of central bank independence have a long pedigree, predating even the creation of the Banque de France two hundred years ago. In recent years, these arguments have received renewed attention, first in the academic literature and then in policy-making circles. As the arguments have become better understood and more generally accepted, an increasing number of central banks throughout the world have been made independent—including, of course, both the Banque de France and the ECB, the independence of which is enshrined in the Maastricht Treaty.

In my view, this has been a very favourable development. A central bank independent of short-term political concerns is best placed to pursue a medium-term-oriented monetary policy aimed at the maintenance of price stability which, in turn, will best serve overall economic prospects and the interests of the public at large. This is, of course, the approach adopted by the Eurosystem, as reflected in its monetary policy strategy.

At the same time, as central bankers, we should and do recognise that the achievement of institutional independence implies the assumption of greater responsibilities. An independent central bank must acknowledge that it is ultimately responsible for the matters delegated to it by parliament or government, as identified in its legal statutes. Typically—as in the case of the ECB—these are monetary policy and the achievement and maintenance of price stability. In the Oxford English Dictionary, a “responsible” institution is defined as one that is “liable to be blamed for loss or failure.” Accountability is the mechanism by which independent central banks expose themselves to public scrutiny and thereby accept their liability for any shortcomings in the design and implementation of monetary policy.
Against this background, accountability can be seen as a natural counterpart of central bank independence. In a democratic society, the public and its elected representatives should have the opportunity to scrutinise the design and implementation of important public policies by independent bodies. In the context of monetary policy, central bank accountability is therefore an essential element in a democratic society. In addition, accountability helps to address what economists call the “principal/agent problem” which inevitably arises when the public—acting as the “principal”—delegates the responsibility for monetary policy to an independent central bank—the “agent”—to act on its behalf. While I am confident that central banks—and, in particular, the ECB, of which I have direct experience—act for the public good, the existence of mechanisms to ensure public accountability may help to bolster the external credibility, and therefore the effectiveness, of monetary policy and, as such, constitute an economically efficient arrangement. Moreover, they provide conduits for the central bank to explain and justify its policy decisions, allowing for the efficient exchange of information among different policy-making institutions, the public and the private sector.

These arguments help to explain why central bank accountability is desirable. A more practical, but no less important issue, is how to implement accountability. I anticipate that this latter question will be taken up by the members of the panel. In the brief time remaining to me, I should like to make a few initial observations, based on the ECB’s experience during its first two years of existence.

First, we are fortunate that the Maastricht Treaty provides for a fundamentally sound and efficient allocation of objectives and policy instruments among policy-making authorities in the euro area. Specifically, the ECB is responsible for the maintenance of price stability and determines monetary policy so as to achieve this objective. By clearly identifying a specific mandate for the ECB, the Treaty avoids a confusion or blurring of responsibilities and mandates that would be prejudicial to effective accountability.

Second, the Governing Council of the ECB has found it useful to publish a definition of price stability to quantify its Treaty mandate more precisely. As I am sure you will recall, this definition provides a clear yardstick against which the ECB can be held accountable. It has proved an effective tool with which to focus the public’s attention on the Treaty mandate, thus serving to promote genuine accountability.

Third, the Governing Council has adopted a collective, rather than individual, approach to accountability. We believe this approach has a number of advantages. It helps to retain the confidentiality and thus the value of policy discussions among members of the Governing Council. It serves to underpin the necessarily euro area-wide perspective for monetary policy required by Monetary Union. It also reflects the joint responsibility of members of the Council for policy decisions. Individual accountability is not suitable as then poor outcomes can be blamed by each Council member on policy decisions which, as individuals, they did not support.

Finally, as my earlier remarks and the title of this session suggest, we have emphasised the importance of accountability to the public at large. While my
colleagues on the Executive Board and I regularly testify before the European Parliament, we also recognise the importance of reporting more directly to the public. The regular monthly press conference given by the Vice-President and myself is an important vehicle for accountability in this regard.

Given its rather short history, the ECB's situation is novel in many respects. Against the background of its experiences, let me now turn to the panel for their remarks.
Panel

Charles Wyplosz
Professor
Graduate Institute of International Studies, Geneva

The subject under discussion since this morning is that of the profound changes which have occurred in central banking. Jacques de Larosière gave an overview of the way in which the Banque de France has evolved. Monetary policy has indeed undergone fundamental changes over the last twenty years.

To my mind, the turning point of this conference hinges on the question raised by Alan Greenspan: “Looking back, will future generations be as critical of today’s monetary policies as we are with regard to the policies implemented twenty years ago?” I believe the answer is yes. The advances achieved in the last thirty years are momentous but far from complete and there is still considerable progress to be made, monetary policy is evolving. At the beginning of the 1990s, consensus had been reached among central banks and in academic circles. This consensus was founded on two pillars: price stability, which is the primary objective of a central bank, and independence, which is a necessary condition to achieve this objective. These two aspects are, for example, contained in the Maastricht Treaty signed in 1991, which was therefore modern for its time. Since 1991, a number of changes have seen the light of day and new questions have emerged. These questions pertain mainly to the implications of independence, which are more far-reaching than could have been imagined ten years ago.

The topic of this symposium is very well chosen in this regard. It reflects the following question: what does making central banks independent mean? It is indeed time to raise some sensitive issues. We have all observed that independence calls for accountability. Three aspects of the “accountability” of central banks need to be examined: “Accountability for what?”, “Accountability in what sense?” and “Accountability to whom?” Each of these questions indicates a new stage to be crossed and each of these stages represents, in several respects, changes as far-reaching as those observed in the past twenty years.
“Accountability for what?”

There seems to be general agreement that central banks are responsible for medium-term inflation. This is the explicit strategy of the European Central Bank and also the strategy that most, if not all, other central banks have adopted. But monetary policy affects citizens and companies in the short term and may have very substantial real effects over a two to three-year period. Issues such as financial instability, the effect of asset inflation, the risks of speculative bubbles etc. are of considerable importance to all citizens and companies, and central banks cannot ignore them under the pretext that their sole objective is medium-term inflation. It is sometimes asserted that, because central bank behaviour ought to be steady and predictable, it is counterproductive to react to short-term concerns or trends. It is true that the quality of monetary policy is assessed according to its long-term results, but real life takes place in the short term and random economic and political mishaps cannot be ignored. As President Duisenberg pointed out, an independent central bank is an agent at the service of its principal, the general public. Now, the “principal” wants to be able to control its “agent” and ensure that it deals with any concerns the “principal” might have at a given time. The “principal”, for whom difficulties arise in the short-term, cannot be satisfied with its “agent” adopting rules which are always the same, regardless of the circumstances.

Therefore, the approach which holds that the main, if not unique, preoccupation of a central bank is to focus on medium-term inflation now corresponds to a consensus about a decade old. This approach needs to be re-examined and it shall be.

“Accountability in what sense?”

There are two conceptions of accountability: ex post and ex ante accountability. Ex post accountability consists of announcing one’s objectives and being judged on the results. For example, a Chef may treat us to a delicious meal, without revealing his recipes. We are free to make our own judgements on his cuisine. Ex ante accountability, on the contrary, means that the central bank must explain and justify what it intends to do in the future in order to deal with the situation as currently perceived. The second stage in the development of central banks would be for them to evolve towards ex ante accountability. Monetary policy is deeply political not only because it affects all citizens but also because it can reallocate income from one group of citizens to another. It is increasingly apparent in today’s politics that citizens no longer put up with politicians presenting them with completely finalised and non-negotiable decisions. Top-down decisions tend to fail. Politicians are increasingly obliged to explain their ideas, to engage in a dialogue with the public in order to try to form a consensus or at least obtain a majority and to pre-empt the actions of active minority groups. There is no reason for monetary policy, which is deeply political, to be exempt from this widespread development, a testimony of the dynamics of democracy. To return to my culinary example, the public wants to see the Chef in action. So central banks will need to be much more transparent than they used to be. One of the main reasons, incidentally, why central banks need to evolve towards more transparency and accountability is that governments are aware that elections are the ultimate sanction. Now, that central banks are independent, they cannot be punished for their errors. It is therefore of overriding importance that central banks engage in projects which are supported by public opinion. This brings me to my final point.
“Accountability to whom?”

In theory, in democracy, central banks are accountable to the people and their elected representatives. In practice, independence, in its current form, greatly limits the influence of governments. This was the aim, and rightly so, for experience had amply shown governments’ tendency to “pollute” monetary policy. The situation is extreme in Europe: as President Duisenberg observed this morning, opposite the central bank, there is no European government. In practice, in many countries—and certainly in Europe—the democratic solution has been to charge Parliament with central bank monitoring. However, there is a growing realisation that such monitoring, while being well suited to ex post accountability, is much more difficult to implement ex ante due to the frequency of monetary and financial events to which central banks must react. Indeed, central banks have come to understand that accountability to Parliament is insufficient: they now expend a great deal of energy communicating directly with the general public. The problem is that considerable progress still needs to be made in this field. Most central bank communication is geared at financial markets and financial media. I believe that this development constitutes the third challenge that central banks need to take up in the coming years.

Central banks and financial markets have been playing a communication game over the last fifteen years. Financial markets react to all signals sent by central banks. These signals are sometimes misunderstood and central banks have been increasingly led to refine them. The more central banks refine and rarefy their signals, the more sensitive the markets become to them. This creates a vicious circle: as central banks’ communications decrease in quantity and quality, the markets’ interpretations become increasingly excessive. The financial media therefore tend to act as amplifiers, while general information geared at the general public takes a backseat. This creates a situation in which an important player on the political scene is no longer in direct contact with the citizens who gave it a mandate. Sooner or later, the general public will also have to be invited to dinner and to observe how the food is prepared in the kitchen. Future generations of central bankers will be surprised to learn that, at the dawn of the 21st century, it was possible to merely inform the general public, ex post, of decisions taken behind closed doors without preliminary debate.
Ernst Welteke
President
Deutsche Bundesbank

“I and my public understand each other perfectly; it does not listen to what I say, and I do not say what it wants to hear.”

These are the words of Karl Kraus, the Austrian author and satirist (1874-1936), who—as far as I am aware—was not a central banker. Nevertheless, he encapsulates the essential requirements very well:

– firstly, a comprehensive and intelligible explanation of the points one wants to put across, and

– secondly, a public that listens.

We all know what the public wants to hear from a central banker. Every interest-rate move and every exchange-market intervention should be announced unmistakably beforehand. We do not, of course, meet such demands. That is not in order to make life easy for ourselves, but in order to safeguard the effectiveness of our instruments. In the longer term, however, the calculability of monetary policy is very important.

On the other hand, there are some statements which I wish would attract more public attention. In particular, I am thinking of the allusions by all central bankers in the Eurosystem to the favourable fundamentals that suggest that the euro should be stronger.

It is a truth long understood among journalists that bad news sell better than good. An item of bad news about corporate failures sticks in the mind longer than, say, a report that the number of new businesses set up in the Internet sector has reached a record level.

Please do not misunderstand me: I, too, regard a critical approach to reporting as being essential. It is a key precondition for the functioning of a democracy—and, by the way, also of the market economy. We at the Bundesbank, however, must not complain about our treatment in the press. Quite often, we are expressly complimented—albeit particularly for our policy stance in the past, for its calculability and transparency. Unless my memory deceives me, though, such compliments are distinctly louder today than they were then.

Altogether, it seems to me unjustified that the European Central Bank is constantly being criticised for lacking transparency. After all, very far-reaching reporting requirements were imposed on the European System of Central Banks
by the Maastricht Treaty. And the information policy of the ESCB actually goes far beyond the provisions of the Treaty.

For instance, the Governing Council of the ECB has set a quantitative price objective, and has announced the benchmarks of its monetary policy strategy. Moreover, the ECB publishes Monthly Bulletins, in which it analyses economic developments in the euro area. Great importance also attaches to the press conferences that are regularly held after the first meeting of the Governing Council in a month. The President of the ECB, and other members of the Executive Board, too, expound the Bank’s work in speeches and interviews. In addition, the Central Bank Governors, as members of the Governing Council, explain monetary policy decisions at the national level. The ESCB informs the public more comprehensively than the Deutsche Bundesbank did up to the end of 1998.

But we are not in the enviable position of Alan Greenspan, of being able to raise interest rates almost without commentary. Instead, we have the two-pillar strategy of the Eurosystem. Of course, gearing our policy to two criteria (monetary growth and price prospects) basically involves the risk of emitting contradictory signals. On the other hand, the Governing Council’s decision in favour of such a strategy must be seen against the background of the particular uncertainty that was and is associated with the change in monetary policy regime. As regards the publication of the minutes of Governing Council meetings, the debate on that topic has ended, at least in Germany. And I do not feel the least inclination to revive it artificially.

By contrast, the announcement of inflation forecasts by the ECB deserves careful consideration. But, in that context, we should not disregard the fact that the compilation of inflation forecasts for the euro area is being hampered by the unsatisfactory data situation. Moreover, structural breaks or structural adjustment processes in the early years of monetary union cannot be entirely ruled out. Forecasts, however, are based on estimating equations and models that reflect laws and patterns of behaviour that existed in the past. At bottom, the problem is that, by making inflation forecasts, the Governing Council sets certain benchmarks for future policy as well.

For the ESCB, the achievement of due transparency is in its own best interest. Communication is the “third pillar” of the ECB’s strategy. But the attainment of a maximum of transparency does not imply disclosing absolutely all the information that comes to hand. What is essential, rather, is making a selection, and accounting for those factors which are vital to the decision-making process.

Key factors are the divergent traditions and structures in the countries participating in the ESCB—each with differing “publics” and differing demands on information policy. This constitutes a major challenge to the national central banks—that of explaining monetary policy credibly to their respective populations. The euro needs a national face and a national voice in all the countries of Euroland. That is the only way in which confidence in the euro can be strengthened all round. This also applies in particular measure to the Federal Republic of Germany. The Monthly Report of the Bundesbank is of special significance to the German public. But the ECB Bulletins have been meeting with a greater response in recent months.
Altogether, it can be said, in my opinion, that the ECB and the national central banks inform the general public very comprehensively and openly. Those who wish to listen will be able to hear their voices loudly and clearly.
Tito Mboweni  
**Governor**  
**South African Reserve Bank**

I would also like to extend the same congratulations to the Banque de France on this very important occasion. The question that the organisers want us to answer is how do we, central bankers, report on monetary policy? What is our transparency system? What are the relations with the political authorities, institutions, public opinion and the media? And the best way I can answer this question is by giving the example of what we do in the South African Reserve Bank.

As you may know, the South African Reserve Bank is a creation of the constitution. In that constitution, it is stated that the South African Reserve Bank is the central bank of the Republic of South Africa, in charge of achieving and maintaining price stability. Further, the constitution says that the central bank will act independently, without fear or favour. Further, it says that the bank will operate subject only to an Act of Parliament, although there are regular consultations with the minister responsible for national financial matters. The statement “subject only to an Act of Parliament” clarifies almost immediately that the bank is not subject to the political authorities or the executive in particular. Furthermore—many people may not know this—the South African Reserve Bank actually has a private share capital, and any citizen of South Africa can actually buy shares in the South African Reserve Bank, maybe making it one of the most independent central banks in the world. 50% of the Board of Directors is appointed by the government and the other 50% by the shareholders.

In pursuit of our objective of achieving and maintaining price stability, we have now entered the monetary policy framework of inflation targeting. And we have an inflation target of 3% to 6% which must be achieved by the year 2002. It is a measure that we call CPIX—consumer price inflation minus the interest cost on mortgages. I have preferred, in the public debate in South Africa, to refer, rather, to the inflation target as being between 6% and 3%, to try and indicate the declining trend, in case 3% to 6% is seen as an increasing trend. We have a Monetary Policy Committee, which meets once every six weeks and makes decisions on monetary policy. At the end of every Monetary Policy Committee meeting, we release a detailed statement of the discussions that occurred and the decisions taken. I also address a media conference in which I inform the media about the decisions taken but also answer any questions which the media may have; and they always have questions which fall outside of the statement issued. In order to enhance our communication with the public, we have also established what we call “Monetary Policy Forums”, which meet twice a year. One of the Forums takes place at the head office and the other “Monetary Policy Forums” are organised in the various regions of South Africa. Who attends these “Monetary Policy Forums”? Firstly, it is the organised business entities which
send a delegation to the meeting. Then, the organised trade union movements
send a delegation to the meeting, followed by organisations of civil society
outside of business and the trade union movement. This would be women’s
organisations, youth organisations and the like. Further, we invite all the
research institutes on economic policy that we know of to participate in this
Forum. Further, we invite the academic community, heads of the economics
departments in some of the significant universities, to participate. And, maybe
the most unpopular thing to do for central bankers, we invite the editors of the
financial press to participate in the Forums. They usually do not say much but
just take notes and go and report. This is a problem. I told them “I want to
consult you, it is not necessary for you to just take notes and go and report.” In
addition to this, like all other central bankers, we give numerous speeches right
across the country. As and when an opportunity arises, I give lots of media
interviews, both to the financial media and also to the popular media, which
goes, as I said, far beyond the narrow confines of the financial media. I engage in
many radio and TV talk shows, where I discover that, for a country such as ours,
there is still a lot of ignorance about what the central bank actually does and the
basic education in this field has to continue. Twice a year, we publish a monetary
policy review, which will assist in explaining to the public what we actually do.
Every three months, we appear before the Standing Committee on Finance in
Parliament to discuss the recent economic developments in the country, but also
our stance on monetary policy. The Committee does not have such a big
influence in terms of the decisions we take on monetary policy, but we engage in
a process of discussion with them.

I suppose, at the end of the day, the question can be asked whether, with all of
these activities, we are still reaching the bulk of the citizens of South Africa. And
I am the first one to admit that, maybe, we are not; maybe we should do more.
But short of addressing mass rallies, I don’t know really what else needs to be
done in this respect. We also publish the Governor’s address in most of the
media—including, as I said, some of the African language papers. Last year, we
got a little bit excited and we translated the Governor’s address into Afrikaans,
Zulu, Xhosa and Sesotho—the African languages. Of course, you get into all
kinds of problems about how to explain what a net open foreign currency
position is in Zulu. Nevertheless, we tried and we got the message across.
The overriding objective of a central bank is, of course, to conduct monetary policy effectively in support of a country’s economic goals. In a democracy, the central bank, like any other governmental institution, ultimately is accountable to the electorate.

The appropriate form of that accountability has been shaped by the particular mission of the central bank. Legislators are held accountable for their policies ultimately by standing for election. However, experience suggests that a more effective mechanism for central banks is to have the elected representatives set overall objectives for monetary policy but to allow the central bank considerable independence within government to pursue those objectives, rather than subject it to direct political accountability.

Some insulation from direct political accountability has proven to be appropriate for central banks as a result of the long time horizon required for effective monetary policy making. Because the inflationary effects of policy stimulus are delayed relative to the employment effects, central banks often confront political pressure to implement excessively expansionary monetary policy in the near term. In other words, the monetary policy most appropriate for long-run stability and growth of an economy may not be politically popular in the short run. Indeed, history has shown that appropriate monetary policies are difficult to implement when central banks are essentially agents of finance ministries.

For these reasons, the central banks in most developed countries are given independence in choosing settings for their policy instruments and an institutional structure protective of that independence. For example, central bankers typically are appointed for long fixed terms, and they cannot be removed from office on the basis of policy differences with the government. Also, most central banks are given budgetary autonomy.

The ultimate accountability of the Federal Reserve and other central banks to elected representatives and the general public is strengthened by transparency about policy decisions and the rationale underlying those decisions. For example, central banks now commonly announce their policy decisions, together with some explanation, immediately after taking them. Moreover, most central banks are required to present periodically to the legislature their plans for accomplishing the legislated objectives for monetary policy and to respond to the questions, comments and criticisms of the legislators. In addition, virtually all central banks lay out their views of the economic situation and their rationales for monetary policy actions in annual reports and monthly or quarterly bulletins, and many publish minutes of policy meetings as well. Some central banks also hold press conferences.
There is another form of public accountability we all face that also is enhanced by policy transparency, and that comes through our interactions with financial markets. The judgments of those markets are not always correct, but over time they give us good feedback on how our decisions are expected to affect the economy. This form of accountability has assumed greater importance as income and wealth have risen and technology has advanced. Together, these forces have promoted wider participation in financial markets and access to information and they have substantially accelerated the response of markets to news. At the same time, developments in communications and computer technology, such as the Internet, have greatly enhanced the ability of central banks to disseminate timely information about their policies. For the United States, the texts of policy announcements, testimony, speeches, and minutes of FOMC meetings are now available from the Federal Reserve website simultaneously with their initial release or presentation. Other central banks have established similar facilities. This technological innovation has democratized the distribution of monetary policy information and allowed the public to form its own views about the likely course of policy, rather than depending on press reports for interpretation.

Despite the benefits of transparency for the accountability of central banks, some limits on openness are essential to promote an effective deliberative process. Determining the monetary policies that are in a country’s best long-term interest requires a frank exchange of views among policymakers, which is fostered by conditions of confidentiality. While Federal Reserve decisions often emerge as a broad consensus of policymakers, forming that consensus involves considerable give and take, with many people influencing the outcome. The ECB’s decision not to release minutes of its meetings, nor to identify individual votes on policy, owes to an even greater concern for protecting the give and take of the consensus-building process. Members are charged with choosing monetary policies appropriate for the euro area, as a whole, but direct accountability remains lodged, in many important respects, in national governments. I wish our need for closeted discussions were otherwise. I wish policymakers could be just as open and potentially controversial under the glare of TV cameras as behind closed doors. But human nature being what it is, that in my experience is a forlorn expectation. We must nevertheless, in the context of protecting the most forthright internal debates, endeavor to be as transparent as feasible.

Central banks, in addition, may find it difficult to be fully transparent regarding the likely future course of policy. To the extent that a central bank’s indications of the likely future course of policy were informative, they would enhance the effectiveness of monetary policy. Market participants would be able to gauge future policy more accurately, reducing uncertainty and risk premiums. However, central banks find it challenging to forecast accurately their own actions, because of the unpredictability of incoming data and of the need, in a dynamic environment, for policymakers to retain their options. Policymakers could, in principle, provide statements about possible future policy decisions that are conditional on economic outcomes. In practice, markets and the public seem to have difficulty interpreting such contingent statements. We have wrestled with this issue in the United States and, early this year, instituted a disclosure procedure characterizing the balance of risks to achieving our legislated objectives that we believe is a substantial improvement on past practices.
A former British Treasury Minister, Harold Lever, once remarked that bankers should be satisfied that they are doing an important job; and they are not badly paid for it either. They should not expect to be loved as well.

The best that central banks can do to put themselves in a good light is to implement successful policies. The main thing I want to say about presentation is to echo the words of a popular British press lord who said: “Publish and be damned” (Hugh Cudlipp). There is now criticism of the European Central Bank for not publishing its inflation forecast. If these forecasts were taken out of the cupboard, we would see that they were not very different from the average of other forecasts and interest in them would die down. The real misfortune is not that such forecasts are as yet undisclosed, but that they play such a large part in policy.

The chief economist of Goldman Sachs, Gavyn Davies, has recently reminded us that the Federal Reserve, the European Central Bank and the Bank of Japan now cover about 80% of the developed world economy. “Governments have largely ceded to these three institutions the responsibility of controlling world inflation; and to do this they must necessarily influence the near-term path for GDP and unemployment. Rarely, if ever, can so much power have been wielded by such a small number of institutions outside the direct democratic process.”

But, like all forms of power, it will not last for ever.

The fashion at present is for using short-term interest rates as the main policy weapon. But central banks cannot control, although they can try to influence, long-term rates, even nominal ones. They cannot control real interest rates, even short-term ones, except for highly temporary periods.

Ultimately, the main variable that central banks influence is the money supply. I am not suggesting that we should go back to a regime based entirely on monetary targets. But we should recognise that interest rate objectives are simply a poor proxy which have to be used because we do not know enough about movements of velocity or the appropriate monetary aggregates to target.

Please notice that I said “influence”, not “control”. The relationship between the monetary base and the broader definitions, which are what most people understand by money, are neither rigid nor easy to predict. In any case the present powers of central banks will not last indefinitely. As Mervyn King, the deputy governor of the Bank of England, argued in a speech in Jackson Hole in 1999: “At present, central banks are the monopoly supplier of base money—cash and bank reserves. Because base money is the ultimate medium of exchange and final settlement, central banks have enormous leverage over the value of...
transactions in the economy, even though the size of their balance sheet is very small in relation to those of the private sector.” But electronic transactions in real time hold out the possibility that “final settlements could be carried out by the private sector without the need for clearing through the central bank... Without such a role in settlement, central banks in their present form would no longer exist; nor would money” (Bank of England Bulletin, November 1999, pages 410-411).

In the meanwhile we should be a little careful about putting all the emphasis on the one objective of inflation targeting. It was not long ago that many central banks denied that they could control inflation, which they thought was a matter for incomes policy or fiscal policy. It is of course quite right to say that in the long term, monetary policy mainly influences nominal variables and that growth and employment depend on the underlying behaviour of the real economy. But Keynes was also right to remark that in the long run we are all dead. Not only does the short run matter in its own right. Long periods of high unemployment or low growth can themselves have a deleterious effect on the long run or equilibrium rate of these variables (Hysteresis).

Similarly the recent habit of complete neglect of the exchange rate is just as questionable as the earlier habit of claiming that exchange rates were immovable, and then facing a political and confidence crisis when these untouchable rates were after all seen to move. Monetary policy is still an area where fashion reigns supreme.

Finally a brief word on asset prices. No one has a perfect idea of how to take them into account. But simply giving them some weight—a almost any weight—in the inflation target, in addition to the consumer price index, would surely be better than nothing. Even according to present fashions, central banks are responsible for the value of their currency. This value depends not only on domestic consumer prices but on what can be purchased with that currency abroad when it is exchanged for other currencies. It also depends on the movement of property prices and land prices.

The moral of all these examples, which I have given in such a desperate hurry, is that it is a mistake to subordinate everything to one objective, or to one definition, and that a wise policy must weigh up many different goals. This was what I used to be told when as a junior journalist I went to see wise old central bankers. There is a danger however that today’s central bankers try too hard to be technocrats and forget altogether the wisdom of their forefathers.
CONCLUDING OBSERVATIONS

Jacques Delors
Michel Camdessus
Concluding Speech

Jacques Delors
Former President
Commission of the European Communities

Most fortunately, Governor Jean-Claude Trichet has not asked me to conclude. He confided this daunting task to Michel Camdessus. In my turn, I wish to thank Jean-Claude Trichet and congratulate him as well as the Banque de France, my initial working place, on this 200th anniversary. At his request, I will therefore restrict myself to a few comments. The word comment has several meanings. My comments should not be compared to those our teachers made in the margins of our school exercise books. No. They are not made in that spirit.

I have learnt a great deal today and would like to limit myself to four comments. The first three are linked to each other via an idea which is close to my heart and which is frequently misunderstood; the complementary nature of the action taken by independent central banks and that taken by the authorities in charge of other aspects of economic and social policy. This complementarity is a fact that the European Union, or at least Economic and Monetary Union, has not yet fully integrated. My fourth remark stems from a preliminary reflection on the consequences of globalisation.

1. Economic Union and Monetary Union

My three remarks are as follows. First of all, contrary to long-standing affirmations, which incidentally undermined your plans, although Economic and Monetary Union was prompted as much by political as by economic reasons, the economic foundations had nonetheless already been laid. Secondly, the issue of the struggle against inflation has changed considerably in the last forty years; nevertheless, this frame of mind, with varying success depending on the period, still prevails today in Europe, albeit in a different form as from 1960. Thirdly, our aim was to achieve Economic and Monetary Union and not merely a monetary union.

On the first question, Economic and Monetary Union was indeed motivated by political reasons. The aim was to build Europe while remaining faithful to the spirit and strategies of the founding fathers of Europe. That meant progressing step by step and then by a so-called chain or spill-over effect, whereby one step forward led to another. The objective was to find our way out of the periods of crisis or stagnation to achieve a political Europe. But the strategy was also based on seizing opportunities. There is no point in hiding the fact that after the Berlin wall fell, the fear—in my opinion unfounded—that West Germany would change its stance on Europe, led to attempts to tie it closer to a European destiny.
through the adoption of a single currency. We might, of course, wonder whether preparations for the single currency would have advanced at such a rapid pace in the absence of this event, but things are what they are. As you know, the Maastricht Treaty is divided into two sections. The first is devoted to Economic and Monetary Union. It is the fruit of lengthy reflection and extensive preparation, as President Duisenberg recalled, and is based on the Werner Report of the 1970s. The second is the political part. I have always said that insufficient attention was paid to this aspect. But, Ladies and Gentlemen, nothing would have been possible if solid foundations had not been laid. This tends to be forgotten in polemical attacks on Economic and Monetary Union or when doubts are cast on the euro. The creation and implementation of the European Monetary System represented the first step. Notwithstanding the turbulence of 1992 and 1993, historians will regard the European Monetary System as the first factor of convergence of the European economies, and as a constraint that some countries, such as France, imposed on themselves in order to shake the dangerously close ties they had with inflation. If the European Monetary System had not proved increasingly solid from 1987, if the EMS member states had not successfully carried out various marginal and joint interventions, I believe that we would have found it much harder to achieve Economic and Monetary Union. Furthermore, the establishment of a large market without borders by the year 1992, which I proposed in 1985, changed the situation. The European economy had been sluggish from 1981 to 1984, but 1985-1986 saw a resurgence of growth, an increase in investment and a drop in unemployment. However, I will point out that, provoking astonishment and criticism in some quarters, the Commission had suggested the liberalisation of capital flows as far back as 1986. In other words, the announcement effect of the deregulation of capital movements preceded the free circulation of goods and services, and this, I repeat, upset many people who felt we were moving too fast. But globalisation was already underway and we needed to prepare for it. Besides, it was only in July 1990 that this provision actually came into force. All of this took place in a climate of renewed confidence, and even euphoria, which explained the decision taken by the European Council in Hanover in March 1987, as President Duisenberg has underlined.

Remaining on the subject of solid foundations, one cannot overemphasise the usefulness of the experience acquired jointly by the central bank governors. They met every month in Basel, and within a larger group, the G 10, with the Americans, Japanese and others, thus paving the way for the setting up of Economic and Monetary Union. As President of the Commission, I myself took part in all those meetings, and was struck by the efficiency and rapidity of the participants and the understanding between them. It was in these meetings that the status of the European Central Bank was defined, for the Committee of Experts set up by the European Council, which met from July 1987 to March 1988, worked very fast. I myself insisted that this committee be made up mainly of central bank governors. This, of course, did not please everyone, but despite the obstacles and differences which had to be overcome, it subsequently proved very effective given the common work experience. Economic and Monetary Union is therefore the crowning achievement of all this work and the prolongation of the single market. For once the climate started to improve in Europe (I apologise for recalling events from the past, but they remain important even today), some people started to ask: “can we have a single market without a single currency?” This is yet another example of the chain effect.
My second remark relates to the anti-inflation struggle which, it seems to me, has changed to a certain extent. Going back to the Thirty Glorious Years, and I shall stick to Europe so as to limit the scope of my observations, once the period of shortages was over, one could say that central banks (we discussed the French experience this morning) were already waging a battle against inflation using expansionary fiscal policies because government investment was needed to modernise the country, and because it was necessary to develop the welfare state. They also used implicit or explicit incomes and price policies, which were all the more necessary because we were in a context of full employment. Concerted income policies bore fruit in some countries, in particular in the Netherlands. France attempted such a policy without much success in 1965, but the idea that incomes and prices in general need to be kept under control, is still valid today, even though we are no longer in the same context. Some people dispute this idea and believe that a serious, forward-looking monetary policy which is well understood by the public is sufficient to combat inflation. They point not only to the decline of the social partners (management and labour), of their influence, of their place in society, but also the phase of underemployment which has modified the balance of power, as well as the advance of the open market economy. It is true, incidentally, that decisions concerning employees are increasingly taken at a decentralised level.

I would like to draw your attention briefly to this issue to point out that although the incomes and price policies which were implemented in the 1960s may be unthinkable today, this way of thinking persists. Do you know that in thirteen of the fifteen member states of the European Union there are three-way agreements between general government, employers’ organisations and trade unions? The aim of these “employment pacts” is to ensure that developments in nominal and real costs are compatible with sustained growth. They also include the acceptance of a number of structural reforms, such as the overhaul of the welfare state, improving the functioning of the labour market, education, infrastructure etc. The most exemplary pact remains that of the Netherlands which, since the Wassenaar agreement signed at the beginning of the 1980s, has spearheaded the movement. This pact has since been duplicated, even in southern European countries where the social partners are not so firmly entrenched. In this regard, I wish to emphasise the complementary nature of the policies which must accompany those of central banks while, I repeat, fully respecting the latter’s independence. This raises two further difficulties. The first is that central banks do not function in the same time frame as the media. While central banks pursue medium-term objectives, the media seek to subject us to the tyranny of the short term. Politicians also frequently succumb to this tyranny, so that we are faced with a situation which is the antithesis of that of the 1960s. At that time, some countries favoured medium-term economic planning while central bank governors asked “what is the point of these forecasts which never materialise?” Well, today, central banks operate within a medium-term horizon and we must all help explain this. The second difficulty is that in all European countries today, and even more so in the United States, the income effect is compounded by the wealth effect, which is another way of describing what you have been talking about today; the relationship between central bank policies and trends in capital markets. Income and wealth effects nevertheless have a permanent link—the savings rate. What I mean by all this is that the various actions should be complementary at the national level, and at the European level in the near future. My third remark shall focus on this aspect.
We have laid the foundations for an economic and monetary union and not merely a monetary union. On the one hand, this means that one should not demand too much of central bankers, nor should they be made the scapegoats. On the other hand, it means that we must now build up the economic side. This was the spirit underlying the Committee of Experts’ (the so-called Delors Committee) report, which put greater emphasis on economic issues than on monetary issues. It is also the spirit of the Maastricht Treaty and the Single Act, which are based on a threefold postulate which, I hope will continue to contribute to European construction: competition to stimulate, co-operation to strengthen and solidarity to unite. Admittedly, there is the stability pact—to which the word growth was added in order to please a head of state—but that does not change anything. Admittedly, there is multilateral surveillance, but we need to go further, without jeopardising the independence of central banks in any way, not only in the event of potential symmetric or asymmetric shocks, but also to achieve these two objectives simultaneously: sustainable growth favouring job creation on the one hand, and price stability on the other. Reflection is underway in this respect on the subject of the co-ordination of economic policies. I shall not draw any conclusions on this. In my opinion, co-ordination would be facilitated by the existence of a European pact for the co-ordination of economic policies which would help, I repeat, not only to cope with shocks, but also to improve the quality of government spending and not only the budget deficit. Quality of government spending, preparations for the future, structural adjustment. There is currently an institutional vacuum because the body which should be working on this and which is called the Euro 11, has neither the will nor the means to do so.

And lastly, a question for the future: “Do we stop here?” We have a single currency and national economies are adjusting by other means: structural reform, income adjustment, tax policies, investment, research etc. Or should we move, as some countries have requested, towards the harmonisation of taxes? I am seeking here on the one hand to bring to the fore the complementarity of policies conducted by independent central banks and by the economic authorities, and on the other hand, to show that the question remains unresolved and will undoubtedly be dealt with at the ongoing intergovernmental conference which is meant to prepare the changes or adaptations of our institutions.

2. The Spirit of Co-operation

Lastly, though it bears no relation to my previous comments, I would like to stress my fourth comment, particularly in the presence of Michel Camdessus, for I wish to base my analysis on a remark which I believe he made: globalisation calls for new co-operation and consultation structures at the international as well as the regional levels. I believe that Europe might be a good example of the important things that can be achieved at the regional level, without preventing the deregulation of external trade and without creating fortresses. To introduce this last topic, which will, in fact, be very brief, I would like to call to mind the crisis we saw in South-East Asia, by quoting Michel Camdessus: “If only the ministers of finance of these countries met every month like the European ministers do!” I believe he thus put his finger on the fact that, in areas which are very closely linked to each other, one cannot work without a certain amount of dialogue and co-operation. It is also true, and this was mentioned earlier, that
the same goes for the failure to comply with prudential rules. I consider this non-compliance to be one of the main causes of the crisis which these countries experienced. In fact, Asean has realised this and there are plans to provide it with a minimum institutional framework. By easing fears, regional co-operation (or large groupings such as the European Union, Mercosur, or Asean) constitutes the first step in the discovery of globalisation and a laboratory for new rules and regulations.

What is basically at stake is the search for greater economic security. Of course we have the G7, and an even bigger Group which is meeting in a hotel in Washington. That is all well and good, but the world needs economic security and not merely monetary security. But we lack the experience on globalisation needed to set up this economic security, we also lack experience, as we saw earlier, on the relationship between developments in capital markets and the role played by central banks. With time, we may acquire more knowledge in these fields. That is why I suggested the setting up of a Council for Economic Security, which would comprise all the large countries as well as the regional groups such as Africa, South-East Asia and Latin America. This Council, together with the International Monetary Fund, the World Bank, the International Labour Organisation and the World Trade Organisation, would have experienced or rather exchanged views on the consequences of globalisation. There is no ready-made solution in this field, but there is an urgent need to experiment and exchange at a world-wide level. Furthermore, it is vital to give responsibility to all the players and all the regions of the world. This is what a Council for Economic Security could achieve, step by step.
I was not surprised that Jacques Delors’ first remarks were on the complementarity between the work of central banks and that of the authorities in charge of the economy, but they did take me back twenty years in time. Joining him on this podium brought back memories of the thousand other occasions at which I had the honour of being at his side, in particular from 1982 to 1984. In those years, I saw him work together with the central bank to defend the currency, often beyond the limits of heroism and with the exemplary courage required by the particularly difficult circumstances. This attitude already prefigured the mutual respect and co-operation which are the rule today. His relationship with the Banque de France reflected two basic principles: a central bank cannot achieve monetary stability in isolation, and a responsible central bank exercises its independence in co-operation with the economic and financial authorities.

I saw how Jacques Delors co-operated with the central bank of the time. He was co-operating with an institution which, to his mind, should be independent. In fact, I think he considered it to be more independent than it judged itself; historians will not fail to mention this aspect of our history later on and I hope that he himself will also recount it. I also witnessed his commitment to upholding the European Monetary System and ensuring its long-term success. He remained firm during difficult times, and we can all testify to the results. If we now take a look at international monetary history over the past fifteen years, we see that all the success stories illustrate this type of co-operation between central banks and governments. Let us briefly recall this period which offers abundant examples: the success of German monetary unification, the success of America’s economic and monetary policy, Mexico’s successful economic recovery, and many more. These successes are sometimes so dazzling that the central bank governors end up at the Quirinal, as in the case of our friend Ciampi, the Quirinal being the Capitol without the Tarpeian Rock.

It seems to me that this morning we all agreed that the independence of central banks goes hand-in-hand with co-operation. Our discussion extended much further, and in particular to how we have advanced over these last few years, and will continue to advance: advancing towards monetary stability, from monetary stability to financial stability, and from domestic monetary stability to international monetary stability. The performances in this last field have probably been the least convincing. We should accept this and note that a diversity of views has been expressed on each of these three points.
1. Progress towards Monetary Stability

Fifteen years ago, we were very far from monetary stability, and now it is well established. This stability is all the more remarkable as it was achieved although governments did not always co-operate properly i.e. by reducing general government deficits or structural rigidities. It also took place at a time when more or less administered economies were in a complex transition towards fully-fledged market economies. To quote Edward George, we are now in a context of very low inflation, but stable low inflation. Remember the volatility we experienced previously! There is no need to comment on how the independence of central banks has contributed to this progress. On this point we all agree. Faced with this overwhelming consensus, and after having heard Prime Minister Jospin recall this morning the justification for central bank independence from a politician’s standpoint, it is now up to the governor of the Banque de France to write, in the manner of Montesquieu in a new edition of “L’Esprit des lois”, the chapter on how the independence of central banks has contributed to reinforcing democracies.

We have observed how widespread this progress towards stabilisation is: according to Guillermo Ortiz, the governor of a Latin American central bank, the average inflation rate of 7% in Latin America is still far from the target rate. In my opinion, he is absolutely right, especially as price stability not only contributes to the main balances, but also to social stability and sound democracies. Let us admire the performance of our Latin American colleagues and remember that average inflation in Latin America was still above 200% in 1994. But there is no cause for triumph: the low inflation rate renders further progress all the more difficult. Many will be quick to say that the battle is over and that the brakes can be released. This would mean disregarding the fact that inflation is a multi-headed dragon. In Russia I have often been struck by the omnipresence, even in the chambers of the Kremlin, of icons depicting Saint George on his white horse, beheading a hydra whose heads keep growing back. I have often used this image to explain to my Russian audience, in an approximative hagiography, that inflation is a similar monster, and that the most urgent task is to consolidate both the central bank and the existing achievements.

We have nevertheless taken note of the remarks from the developing countries, in particular those of Bimal Jalan and Charles Konan Banny. For them, as for central banks in industrialised countries, it is important to achieve the lowest possible level of inflation. However, attaining stable low inflation is more difficult for them, given that food and energy products with very volatile prices account for a significant share of the price index. We all know that, unlike fifteen years ago, central banks can now count on public opinion in their fight for stability.

Stability is a public good and the public knows this. Our mandate as central bankers is clear: “give us a stable currency.” This explains why the European central bankers took such remarkable care in preparing the changeover from the European Monetary Institute to the European Central Bank and in ensuring that the central bank, thanks to greater efforts towards convergence, could build the euro on a bedrock of stability. Central banks can count on public opinion and respect from markets, but this support has a price. It is based on the imperative of transparency. This is the golden rule of a global economy, the first precept to be respected individually and collectively, the key to the stability of markets and the international economy. At the beginning of the Asian crisis, when certain
central bankers were starting to analyse its causes and to suggest remedial and preventive measures, Alan Greenspan pointed out to me that, if true transparency were applied to a certain number of key issues (in particular, short-term debt and fluctuations in central bank reserves), one could perhaps control 90% of the immediate factors likely to provoke a crisis. I agree with this. Unfortunately, the next crisis may not have the same origin, and the demons which spark these crises are too subtle not to profit from the buoyant world economy to create other disorders in other sectors. But let us at least be irreplaceable in implementing transparency: we owe it to the markets and to the public.

Having said this, transparency is more easily proclaimed than implemented, and communication is a difficult art, which cannot be defined in its least details. Because it is an art, and because we stem from different experiences and cultures, our views on the definition, scope and practical features of transparency diverge. We should perhaps just try to agree on a general direction. The next time we hesitate on how to deal with transparency, let us then agree to risk too much rather than too little transparency.

2. From Monetary Stability to Financial Stability

We have given a lot of attention during the past ten years to this de facto extension of our responsibilities, but we are still far from the second objective, which the progress of globalisation nevertheless renders inevitable. I note that the central bankers, faced with the vast complexity of this subject, are much less loquacious on this issue than on any other. They are nevertheless determined to work together and agree on the three principles which Jean-Claude Trichet proposed this morning:

– Central banks must not lead markets to believe that they will guarantee asset prices.

– Central banks must take wealth effects into account in their appraisal of the economic situation. This, of course, is where our views begin to diverge. I am not sure that all of Samuel Brittan’s proposals are entirely ecumenical and acceptable to all, but they are very interesting and provide us with food for thought.

– Finally, central banks cannot neglect financial bubbles, even if they do not affect price stability in the medium term.

To consolidate this financial stability, central banks must be strongly involved, at least in banking supervision, regardless of the terms and conditions. There is scope for debate, as some would prefer banking supervision to be entrusted to an authority other than a central bank. Personally, I believe that independent central banks are well suited to bear this responsibility. I know that this view is not widely shared, and it is important to pursue the debate. We have heard the developing countries call on the International Monetary Fund and the World Bank to continue and intensify their work to better equip central banks in this field. We have to help the central banks of developing countries tackle this issue, by technical means and through training, which they often lack. James
Wolfensohn made very clear proposals, insisting on the fact that the two Bretton Woods institutions would act in accordance with the subsidiarity principle. Their role is not to act as police, but to help strengthen supervision, since we all agree that commercial banks are now major players within our national, regional and global economic systems. It is therefore in our interest to work towards their consolidation and towards setting up, in consultation with them, the formal and informal mechanisms which will allow us to involve them in the prevention and handling of future crises.

3. From Internal to External Currency Stability

After so many years as a central banker, I believe that drawing an institutional line between the management of the internal and external aspects of a currency is outdated and absurd. I have difficulty understanding that the lawmakers entrust central banks with internal management and attempt to keep external management in the hands of government. These distinctions have served their time. It is clear that twenty-first-century central bankers will have to manage monetary policies comprising both aspects, in co-operation, of course, with the finance ministers. Many countries work with the IMF on optimising their exchange-rate systems. Although our preferences range from one extreme to another, i.e. from pure flexibility to fixed exchange-rate regimes, we all agree that these countries should adapt pragmatically to their local circumstances. As Peter Kenen and Edward George suggested, we also agree on seeking ways of reconciling, in a less simplistic manner, the objectives of internal and external currency stability. After all, we should not forget that the exchange rate is the most important signal in our economies.

Even though we have barely touched on the international aspects of our work, I would like to repeat and underscore James Wolfensohn’s call. My wish is that the Bretton Woods institutions be strengthened in those tasks you have entrusted to them, in particular technical assistance, and that the IMF be given the means to help the world progress towards the orderly and gradual deregulation of capital movements. I know that you are considering this. I have myself had the privilege of receiving your support. I would like to thank you once more and to congratulate the Banque de France for organising this splendid seminar and these two days of “celebration of the heart and soul,” and finally, to extend to it my good wishes for the next century.
Les qualités des participants
sont celles à la date du colloque

Participants titles are at the time
of the Symposium
M. JOSPIN a prononcé l’allocution d’ouverture du colloque.
M. TRICHET a présenté ses remarques introductives.
Mr JOSPIN delivered the “Introductory Speech”.
Mr TRICHET offered his “Introductory Remarks”.

Jean-Claude TRICHET
Gouverneur, Banque de France
Governor, Banque de France

M. GREENSPAN présidait la première session du colloque.
Mr GREENSPAN chaired the first symposium session.

M. de LAROSIÈRE et DUISENBERG lors de leurs interventions sur le thème de « L’évolution du métier de banquier central ».
Messrs de LAROSIÈRE and DUISENBERG took the floor on the theme “Developments in Central Banking”.

Alan GREENSPAN
Président, Conseil des gouverneurs du Système fédéral de réserve
Chairman, Board of Governors of the Federal Reserve System

Jacques de LAROSIÈRE
Gouverneur honoraire, Banque de France
Honorary Governor, Banque de France

Lionel JOSPIN
Premier ministre
Prime Minister

Wim DUISENBERG
Président, Banque centrale européenne
President, European Central Bank
La première table ronde, présidée par M. KENEN, portait sur « L’analyse comparée des banques centrales ».

The first panel, chaired by Mr KENEN, focused on "Comparative Analysis of the Central Banks of the World".

La table ronde réunissait, outre MM. DUISENBERG et de LAROSIÈRE, MM. CROCKETT, JALAN, KONAN BANNY et ORTIZ.

The panel was composed, in addition to Messrs DUISENBERG and de LAROSIÈRE, of Messrs CROCKETT, JALAN, KONAN BANNY and ORTIZ.
La deuxième session, présidée par M. GEORGE, sur le thème « Les banques centrales et les marchés » comprenait une table ronde à laquelle assistaient des représentants de tous les horizons institutionnels.

Mr GEORGE chaired the second session on “Central Banks and the Markets”, which comprised a panel including representatives from a wide range of institutions.
La troisième session sur « La responsabilité du banquier central vis-à-vis de l’opinion publique » était présidée par M. DUISENBERG. MM. GREENSPAN, WELTEKE, WYPLOSZ, BRITTAN et MBOWENI ont animé la table ronde organisée sur ce thème.

Mr DUISENBERG chaired the third session on “Democracy and the Central Banker’s Accountability”. Messrs GREENSPAN, WELTEKE, WYPLOSZ, BRITTAN and MBOWENI participated in the panel organised on this theme.

MM. DELORS a prononcé l’allocution de conclusion du colloque et M. CAMDESSUS a présenté ses observations.

Mr DELORS delivered the “Concluding Speech” and Mr CAMDESSUS ended the symposium with a series of “Concluding Remarks”.

Charles WYPLOSZ
Professeur, Institut universitaire de hautes études internationales de Genève
Professor, Graduate Institute of International Studies, Geneva

Ernst WELTEKE
Président, Banque fédérale d’Allemagne
President, Deutsche Bundesbank

Tito MBOWENI
Gouverneur, Banque de réserve d’Afrique du Sud
Governor, South African Reserve Bank

Samuel BRITTAN
Éditorialiste, Financial Times
Columnist, Financial Times

Michel CAMDESSUS
Ancien directeur général, Fonds monétaire international
Former Managing Director, International Monetary Fund

Jacques DELORS
Ancien président, Commission des communautés européennes
Former President, Commission of the European Communities
Participants

AFXENTIOU Afxentis
Gouverneur
Banque centrale de Chypre
CHYPRE

AGLIETTA Michel
Professeur
Université Paris X
FRANCE

AGUINALDO Jaime
Gouverneur
Banque nationale d’Angola
ANGOLA

AL-ATTIYA Abdulla Khalid
Gouverneur
Banque centrale du Qatar
QATAR

AL-KHALIFA Abdulla Bin Khalifa
Gouverneur
Agence monétaire de Bahreïn
BAHREÏN

AL-MANNAI Jassim
Président
Fonds monétaire arabe
ÉMIRATS ARABES UNIS

AL-SABAХ Salem Abdul Aziz
Gouverneur
Banque centrale du Koweït
KOWEÏT

AL-SAMAWI Ahmed
Abdul-Rahman
Gouverneur
Banque centrale du Yémen
YÉMEN

AL-SAYARI Hamad Saud
Gouverneur
Agence monétaire d’Arabie saoudite
ARABIE SAOUDITE

AL-SUWAIDI Sultan Bin Nasser
Gouverneur
Banque centrale des Émirats arabes unis
ÉMIRATS ARABES UNIS

AL-ZADJALI Hamood Sangour
Gouverneur
Banque centrale d’Oman
OMAN

ALBERT Michel
Membre du Conseil de la politique monétaire
Banque de France
FRANCE

ALLAIN Serge
Membre de la Commission bancaire
Banque de France
FRANCE

ALLAIS Maurice
Membre de l’Institut
Académie des sciences morales et politiques
FRANCE

ALPHANDÉRY Edmond
Ancien ministre de l’Économie
Conseil de surveillance de la Caisse nationale de prévoyance
FRANCE

ALSAQABI Nabil
Cabinet du gouverneur
Banque centrale du Koweït
KOWEÏT

ANDERSEN Bodil Nyboe
Gouverneur
Banque nationale du Danemark
DANEMARK

ARDAILLON-POIRIER Elisabeth
Directeur de la Communication
Banque de France
FRANCE

ARGUELLO MARTINEZ Juan José
Président du Directoire
Banco Popular Comercial
FRANCE
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Institution</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARHAR France</td>
<td>Gouverneur</td>
<td>Banque de Slovénie</td>
<td>SLOVÉNIE</td>
</tr>
<tr>
<td>ARMAND Alain</td>
<td>Directeur général de la Fabrication des billets</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ARTHUIS Jean</td>
<td>Ancien ministre de l'Économie</td>
<td>Sénat</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ARTUS Patrick</td>
<td>Chef du service des Études économiques</td>
<td>Caisse des dépôts et consignations</td>
<td>FRANCE</td>
</tr>
<tr>
<td>AUBERGER Bernard</td>
<td>Président directeur général</td>
<td>Banque directe</td>
<td>FRANCE</td>
</tr>
<tr>
<td>AUDREN Gilles</td>
<td>Directeur</td>
<td>Institut d'émission des départements d'Outre-mer</td>
<td>FRANCE</td>
</tr>
<tr>
<td>AUMAS Gérard</td>
<td>Directeur régional de la région Corse</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>AUTHEMAN Marc-Antoine</td>
<td>Président du Directoire</td>
<td>Crédit agricole, Indosuez</td>
<td>FRANCE</td>
</tr>
<tr>
<td>AWAMURA Minoru</td>
<td>Directeur général</td>
<td>Bank of Tokyo Mitsubishi, Ltd</td>
<td>FRANCE</td>
</tr>
<tr>
<td>BABEAU André</td>
<td>Directeur général</td>
<td>Centre de recherche sur l'épargne</td>
<td>FRANCE</td>
</tr>
<tr>
<td>BACHSTRÖM Urban</td>
<td>Gouverneur</td>
<td>Banque de Suède</td>
<td>SUÈDE</td>
</tr>
<tr>
<td>BACOT François</td>
<td>Responsable France</td>
<td>Warburg Dillon Read (France) SA</td>
<td>FRANCE</td>
</tr>
<tr>
<td>BAH Ibrahima Cherif</td>
<td>Gouverneur</td>
<td>Banque centrale de Guinée</td>
<td>GUINÉE</td>
</tr>
<tr>
<td>BAÏKOV Vladimir</td>
<td>Conseiller économique</td>
<td>Ambassade de Russie</td>
<td>FRANCE</td>
</tr>
<tr>
<td>BALLALI Daudi</td>
<td>Gouverneur</td>
<td>Banque de Tanzanie</td>
<td>TANZANIE</td>
</tr>
<tr>
<td>BANYIYEZAKO Grégoire</td>
<td>Gouverneur</td>
<td>Banque du Burundi</td>
<td>BURUNDI</td>
</tr>
<tr>
<td>BARBAT-LAYANI Marie-Anne</td>
<td>Chef du bureau des Affaires bancaires</td>
<td>Ministère de l'Économie, des Finances et de l'Industrie – Direction du Trésor</td>
<td>FRANCE</td>
</tr>
<tr>
<td>BAREILLE Henri</td>
<td>Directeur régional de la région Ile-de-France</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>BARET Gilbert</td>
<td>Directeur régional de la région Centre</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>BARROUX Yves</td>
<td>Secrétaire général</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
</tbody>
</table>
BARTHES de RUYTER Georges
Président
Conseil national de la comptabilité
FRANCE

BONELLO Michael
Gouverneur
Banque centrale de Malte
MALTE

BARTHOLIN Jean-Olivier
Président
Chase-Manhattan Bank France
FRANCE

BONNARDIN Jean
Contrôleur général
Banque de France
FRANCE

BASANT ROI Rameshwurlall
Gouverneur
Banque de Maurice
MAURICE

BORDES Christian
Professeur
Université de Bordeaux IV
FRANCE

BAUDRY Hubert
Directeur régional de la région Pays de la Loire
Banque de France
FRANCE

BOURGUINAT Henri
Professeur
Université de Bordeaux IV
FRANCE

BEFFA Jean-Louis
Président
Saint-Gobain
FRANCE

BOURVEN Monique
Président directeur général
State Street Bank SA
FRANCE

BERARD Marie-Hélène
Conseiller
Crédit commercial de France
FRANCE

BOUTILLIER Michel
Professeur
Université de Paris X
FRANCE

BERNARD Jean-René
Membre du Conseil de la politique monétaire
Banque de France
FRANCE

BOZZI Jacques
Directeur des Études économiques et de la Recherche
Banque de France
FRANCE

BESISO Fouad
Gouverneur
Autorité monétaire palestinienne
AUTORITÉ PALESTINIENNE

BRASH Donald
Gouverneur
Banque de réserve de Nouvelle-Zélande
NOUVELLE-ZÉLANDE

BOISSONNAT Jean
Ancien membre du Conseil de la politique monétaire
Groupe de l'Expansion
FRANCE

BRIDI Haleh
Directeur du Bureau européen
Banque mondiale
FRANCE

BOLLON Pierre
Délégué général
ASG/ASFF
FRANCE

BRITTAN Samuel
Éditorialiste
Financial Times
ROYAUME-UNI
Indépendance et responsabilité : évolution du métier de banquier central

BRUNEL Didier
Directeur général des Opérations
Banque de France
FRANCE

CASTEL Michel
Directeur des Établissements de crédit et des Entreprises d'investissement
Banque de France
FRANCE

CADILLAT Dominique
Directeur régional de la région Midi-Pyrénées
Banque de France
FRANCE

CETTE Gilbert
Conseiller scientifique
Conseil d'analyse économique
FRANCE

CALVO-SOTELO Luis
Chef du protocole
Banque d'Espagne
ESPAGNE

CHAMPSAUR Jean-Paul
Directeur général
INSEE
FRANCE

CAMBRAY Claude
Directeur régional de la région Bretagne
Banque de France
FRANCE

CHANTO Chea
Gouverneur
Banque nationale du Cambodge
CAMBODGE

CAMDESSUS Michel
Ancien directeur général du Fonds monétaire international
FRANCE

CHARPIN Jean-Michel
Commissaire général au Plan
Commissariat général du Plan
FRANCE

CETTE Gilbert
Conseiller scientifique
Conseil d'analyse économique
FRANCE

CARDONA Michel
Chef du service d'Analyse des marchés internationaux
Banque de France
FRANCE

CHOMETTE Jean-Pierre
Directeur de la Conjoncture
Banque de France
FRANCE

CHON Chol-Hwan
Gouverneur
Banque de Corée
RÉPUBLIQUE DE CORÉE

CHUNG
Directeur
Banque de Corée (Bruxelles)
BELGIQUE

CIRELLI Jean-François
Conseiller économique
Présidence de la République
FRANCE

COEURE Benoît
Conseiller à la Direction du Trésor
Ministère de l’Économie, des Finances et de l’Industrie – Direction du Trésor
FRANCE

CASSOU Pierre-Henri
Secrétaire général
Comité de la réglementation bancaire et financière et du Comité des établissements de crédit et des entreprises d'investissement
FRANCE

CIRELLI Jean-François
Conseiller économique
Présidence de la République
FRANCE

COEURE Benoît
Conseiller à la Direction du Trésor
Ministère de l’Économie, des Finances et de l’Industrie – Direction du Trésor
FRANCE
<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Organization</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>COHEN Daniel</td>
<td>Professeur, Université de Paris I</td>
<td>FRANCE</td>
</tr>
<tr>
<td>COHEN Elie</td>
<td>Président, Université de Paris IX</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CONSTANCIO Vitor Manuel Ribeiro</td>
<td>Gouverneur, Banque du Portugal</td>
<td>PORTUGAL</td>
</tr>
<tr>
<td>CORDIER Jean</td>
<td>Adjoint du directeur des Études économiques et de la Recherche Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CORNUT Charles</td>
<td>Président du Directoire, Fonds de garantie des dépôts, Association française des banques</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CORREA Modesto</td>
<td>Gouverneur, Banque centrale de l’Équateur</td>
<td>ÉQUATEUR</td>
</tr>
<tr>
<td>COTIS Jean-Philippe</td>
<td>Directeur de la Prévision, Ministère de l’Économie, des Finances et de l’Industrie</td>
<td>FRANCE</td>
</tr>
<tr>
<td>Coudert Virginie</td>
<td>Conseiller scientifique au Service d’analyse des marchés internationaux, Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CREDOT Francis</td>
<td>Président, Association nationale des juristes de banques</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CRELO Cédric</td>
<td>Attaché, Banque du Luxembourg</td>
<td>LUXEMBOURG</td>
</tr>
<tr>
<td>CRESSEN Édith</td>
<td>Ancien Premier ministre, Université de Paris IX</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CROCKETT Andrew</td>
<td>Directeur général, Banque des règlements internationaux</td>
<td>SUISSE</td>
</tr>
<tr>
<td>CUNY Jacques</td>
<td>Directeur régional de la région Lorraine, Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>D’AUVIGNY Jacques</td>
<td>Président, Association française des Entreprises d’investissement</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DAVANNE Olivier</td>
<td>Membre du Conseil d’analyse économique, Conseil d’analyse économique</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DAOUAS Mohamed</td>
<td>Sous-gouverneur, Banque centrale de Tunisie</td>
<td>TUNISIE</td>
</tr>
<tr>
<td>DANIEL Jean</td>
<td>Directeur régional de la région Bourgogne, Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CROCKETT Andrew</td>
<td>Directeur général, Banque des règlements internationaux</td>
<td>SUISSE</td>
</tr>
<tr>
<td>CRESSEN Édith</td>
<td>Ancien Premier ministre, Université de Paris IX</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CROCKETT Andrew</td>
<td>Directeur général, Banque des règlements internationaux</td>
<td>SUISSE</td>
</tr>
<tr>
<td>CRESSEN Édith</td>
<td>Ancien Premier ministre, Université de Paris IX</td>
<td>FRANCE</td>
</tr>
<tr>
<td>CROCKETT Andrew</td>
<td>Directeur général, Banque des règlements internationaux</td>
<td>SUISSE</td>
</tr>
<tr>
<td>CRESSEN Édith</td>
<td>Ancien Premier ministre, Université de Paris IX</td>
<td>FRANCE</td>
</tr>
</tbody>
</table>
Indépendance et responsabilité : évolution du métier de banquier central

De FOUCALUET Jean-Baptiste
Ancien commissaire général au Plan
FRANCE

De MONTESQUIOU Jean-Louis
Directeur général
UBS (France) SA
FRANCE

De COUSTIN François
Adjoint du directeur de la Communication
Banque de France
FRANCE

De ROTHESCHILD David
Associé gérant
Banque Rothschild et Cie
FRANCE

De GRAUWE Paul
Professeur
Université de Louvain
BELGIQUE

De SÈZE Nicolas
Adjoint au directeur général des
Opérations
Banque de France
FRANCE

De La BRUSLERIE Hubert
Professeur
Université Paris I
FRANCE

De VIENNE Odon
Directeur général
Bank of America
FRANCE

De LAPASSE Patrice
Directeur des Services juridiques
Banque de France
FRANCE

De WACHTER Marcia
Vice-gouverneur
Banque nationale de Belgique
BELGIQUE

De LAROSIÈRE Jacques
Gouverneur honoraire
Banque de France
FRANCE

DELMAS-MARSALET Jacques
Conseiller d’État
Conseil d’État
FRANCE

De LATTRE André
Sous-gouverneur honoraire de la Banque de France
La Mondiale
FRANCE

DELORS Jacques
Ancien président de la Commission des communautés européennes
FRANCE

De MAIGRET Bertrand
Délégué général
Association pour l’Union monétaire de l’Europe
FRANCE

DENOYEL Gilles
Secrétaire général
Crédit commercial de France
FRANCE

De MAULDE Bruno
Ancien membre du Conseil de la Politique monétaire
FRANCE

DETILLEUX Jean-Claude
Président
Banque française de crédit coopératif
FRANCE

De MONTBRIAL Thierry
Directeur
Institut français des relations internationales
FRANCE

DIDIER Michel
Directeur général
Rexécodé
FRANCE
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organization</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>DO CARMO TROVOADA Maria</td>
<td>Gouverneur</td>
<td>Banque centrale de Sao Tomé-et-Principe</td>
<td>SAO TOMÉ-ET-PRINCIPE</td>
</tr>
<tr>
<td>EGMANN Gilbert</td>
<td>Directeur régional de la région</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DOGNON-REMY Anne-Emmanuelle</td>
<td>Secrétaire général</td>
<td>Fédération nationale des clubs d'investissement</td>
<td>FRANCE</td>
</tr>
<tr>
<td>EL NOUCHY Marc</td>
<td>Conseiller technique aux Affaires économiques européennes auprès du Premier ministre</td>
<td>Cabinet du Premier ministre</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DOMINGO SOLANS Eugenio</td>
<td>Membre du Directoire</td>
<td>Banque centrale européenne</td>
<td>ALLEMAGNE</td>
</tr>
<tr>
<td>ENFRUN Bernard</td>
<td>Adjoint au directeur général des Études et des Relations internationales</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DOUYÈRE Raymond</td>
<td>Membre du Conseil de la politique monétaire</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ESAMBERT Bernard</td>
<td>Président</td>
<td>Banque Arjil</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DRUMETZ Françoise</td>
<td>Chef du service des Études sur la politique monétaire</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ESTEVA Pierre</td>
<td>Inspecteur général des finances</td>
<td>Comité de la réglementation bancaire et financière</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DUISENBERG Wim</td>
<td>Président</td>
<td>Banque centrale européenne</td>
<td>ALLEMAGNE</td>
</tr>
<tr>
<td>FAURE Mario</td>
<td>Directeur régional de la région Picardie</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DUMOUCHEL Patrick</td>
<td>Président</td>
<td>Association nationale des directeurs financiers et de contrôle de gestion</td>
<td>FRANCE</td>
</tr>
<tr>
<td>FERHANI Hervé</td>
<td>Directeur des Changes</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DUPAS Jérôme</td>
<td>Directeur général</td>
<td>Hong Kong &amp; Shanghai Banking Corporation</td>
<td>FRANCE</td>
</tr>
<tr>
<td>FERMAN Denis</td>
<td>Sous-gouverneur honoraire</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>DUQUESNE Pierre</td>
<td>Conseiller aux Affaires économiques et financières auprès du Premier ministre</td>
<td>Cabinet du Premier ministre</td>
<td>FRANCE</td>
</tr>
<tr>
<td>FLOUZAT Denise</td>
<td>Ancien membre du Conseil de la politique monétaire</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>Name</td>
<td>Profession</td>
<td>Country</td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>------------------</td>
<td></td>
</tr>
<tr>
<td>FORNERI Jean-Marc</td>
<td>Directeur, Crédit suisse First Boston</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GUISLER Klaus-Dieter</td>
<td>Représentant pour la France, Banque fédérale d’Allemagne</td>
<td>ALLEMAGNE</td>
<td></td>
</tr>
<tr>
<td>FORT Jean-Louis</td>
<td>Secrétaire général de la Commission bancaire</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GENDRE Pierre</td>
<td>Secrétaire, Fédération des employés et cadres, Force ouvrière</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>FOURNIER Jacques</td>
<td>Directeur du Contrôle des établissements de crédit et des entreprises d’investissement (SGCB)</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GENDROT Bernard</td>
<td>Adjoint du directeur de la Communication</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>FOURRÉ Jean</td>
<td>Conseiller d’État</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GENTOT Michel</td>
<td>Président, Commission nationale de l’informatique et des libertés</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>FRANCK Michel</td>
<td>Président, Chambre de commerce et d’industrie de Paris</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GEORGE Edward</td>
<td>Gouverneur, Banque d’Angleterre</td>
<td>ROYAUME-UNI</td>
<td></td>
</tr>
<tr>
<td>GENDROT Bernard</td>
<td>Adjoint du directeur de la Communication</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>FOURRÉ Jean</td>
<td>Conseiller d’État</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GENTOT Michel</td>
<td>Président, Commission nationale de l’informatique et des libertés</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>FROMMENT Pierre</td>
<td>Chef du service des Publications économiques</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GEORGEL Marie-Paule</td>
<td>Conseillère générale représentant le Personnel</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>FOUCHER Pierre</td>
<td>Antiquaire</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GERASCHENKO Viktor</td>
<td>Gouverneur, Banque centrale de la fédération russe</td>
<td>RUSSIE</td>
<td></td>
</tr>
<tr>
<td>GARDEREA Jean-Daniel</td>
<td>Directeur général</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GIZARI Emil Iota</td>
<td>Gouverneur, Banque nationale de Roumanie</td>
<td>ROUMANIE</td>
<td></td>
</tr>
<tr>
<td>GAUDEMET Jean-Philippe</td>
<td>Secrétaire général</td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>GHOSSE Sandip</td>
<td>Assistant du gouverneur</td>
<td>INDE</td>
<td></td>
</tr>
</tbody>
</table>
### Participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Institution</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>GIANNO Jean-Marie</td>
<td>Membre du Conseil national du crédit et du titre</td>
<td>Fédération CGT des personnels des secteurs financiers</td>
<td>FRANCE</td>
</tr>
<tr>
<td>GIELEN John</td>
<td>Président</td>
<td>Cercle des banques étrangères en France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>GIRAL Jean-Louis</td>
<td>Président du Conseil d’administration</td>
<td>Desquenne et Giral</td>
<td>FRANCE</td>
</tr>
<tr>
<td>GIRARDIN Eric</td>
<td>Professeur</td>
<td>Université d’Aix-Marseille II</td>
<td>FRANCE</td>
</tr>
<tr>
<td>GOUGEIA GOVE Ernesto</td>
<td>Sous-gouverneur</td>
<td>Banque du Mozambique</td>
<td>MOZAMBIQUE</td>
</tr>
<tr>
<td>GRANDI Piero</td>
<td>Président directeur général</td>
<td>American Express Bank</td>
<td>FRANCE</td>
</tr>
<tr>
<td>GREENSPAN Alan</td>
<td>Président</td>
<td>Conseil des gouverneurs du Système fédéral de réserve</td>
<td>ÉTATS-UNIS</td>
</tr>
<tr>
<td>GREUET Jean-Yves</td>
<td>Chargé de mission auprès du directeur des Études et Statistiques monétaires</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>GRUFFAT Jean-Claude</td>
<td>Directeur général</td>
<td>Citibank SA</td>
<td>FRANCE</td>
</tr>
<tr>
<td>GUILLARD Michel</td>
<td>Professeur</td>
<td>Université d’Évry Val d’Essonne</td>
<td>FRANCE</td>
</tr>
<tr>
<td>GUNNARSSON Birgir Isleifur</td>
<td>Gouverneur</td>
<td>Banque centrale d’Islande</td>
<td>ISLANDE</td>
</tr>
<tr>
<td>HAAS Patrick</td>
<td>Adjoint du chef du service des Études sur la politique monétaire</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>HAID Djama Mamahoud</td>
<td>Gouverneur</td>
<td>Banque nationale de Djibouti</td>
<td>DJIBOUTI</td>
</tr>
<tr>
<td>HÄMÄLÄINEN Sirkka</td>
<td>Membre du Directoire</td>
<td>Banque centrale européenne</td>
<td>ALLEMAGNE</td>
</tr>
<tr>
<td>HANNOUN Hervé</td>
<td>Premier sous-gouverneur</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>HARARI Leonel</td>
<td>Représentant spécial en Europe</td>
<td>Banque de développement inter-américaine</td>
<td>FRANCE</td>
</tr>
<tr>
<td>HASSAN Sabir Mohamed</td>
<td>Gouverneur</td>
<td>Banque du Soudan</td>
<td>SOUDAN</td>
</tr>
<tr>
<td>HAY Lohn</td>
<td>Directeur général adjoint</td>
<td>Banque nationale du Cambodge</td>
<td>CAMBODGE</td>
</tr>
<tr>
<td>HAYASHI Kenji</td>
<td>Assistante personnelle du sous-gouverneur</td>
<td>Banque du Japon</td>
<td>JAPON</td>
</tr>
<tr>
<td>HÉNIN Pierre-Yves</td>
<td>Professeur</td>
<td>Université de Paris I</td>
<td>FRANCE</td>
</tr>
</tbody>
</table>
Indépendance et responsabilité : évolution du métier de banquier central

HERRING Richard
Professeur
Wharton School
ÉTATS-UNIS

ICARD André
Directeur général adjoint
Banque des règlements internationaux
SUISSE

IRISHEV Berlin
Ministre Consulaire
Ambassade du Kazakhstan
FRANCE

ISSING Otmar
Membre du Directoire
Banque centrale européenne
ALLEMAGNE

JAILLET Pierre
Directeur des Relations internationales et européennes
Banque de France
FRANCE

JALAN Bimal
Gouverneur
Banque de réserve de l’Inde
INDÉ

JEAN Fritz
Gouverneur
Banque de la République d’Haïti
HAÏTI

JOHNSTON Donald
Secrétaire général
Organisation de coopération et de développement économiques
FRANCE

JOSPIN Lionel
Premier ministre
FRANCE

KABBARAH Bashar
Gouverneur
Banque centrale de Syrie
SYRIE

KALFA Neritan
Directeur des services juridiques
Banque d’Albanie
ALBANIE

KALLFA Neritan
Directeur des services juridiques
Banque d’Albanie
ALBANIE

KANG
Directeur-adjoint
Banque de Corée (Bruxelles)
BELGIQUE

KANGNI Adamah Venance
Directeur de la Communication
Banque centrale des États de l’Afrique de l’Ouest
SÉNÉGAL

KASSAR Adnan
Président
Chambre de commerce internationale
FRANCE

KAUSIAMA Andrew
Gouverneur
Banque de réserve du Vanuatu
VANUATU

KENEN Peter
Professeur
Université de Princeton
ÉTATS-UNIS

KENNEDY Mike
Chef de la division Monnaie et Affaires financières
Organisation de coopération et de développement économiques
FRANCE

KERAMANE Abdelouahab
Gouverneur
Banque d’Algérie
ALGÉRIE

KIM
Secrétaire
Banque de Corée (Seoul)
CORÉE

KLEIN David
Gouverneur
Banque d’Israël
ISRAËL
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>KOH Yong Guan</td>
<td>Gouverneur Autorité monétaire de Singapour SINGAPOUR</td>
</tr>
<tr>
<td>LARDY Gilles</td>
<td>Directeur de l'Émission et de la Circulation fiduciaire Banque de France FRANCE</td>
</tr>
<tr>
<td>KONAN BANNY Charles</td>
<td>Gouverneur Banque centrale des États de l'Afrique de l'Ouest SÉNÉGAL</td>
</tr>
<tr>
<td>LARROUTUROU Jean-Yves</td>
<td>Sous-directeur chargé du Financement de l'État, affaires monétaires et bancaires Ministre de l'Économie, des Finances et de l'Industrie – Direction du Trésor FRANCE</td>
</tr>
<tr>
<td>KOUPAKI Pascal Irénée</td>
<td>Directeur des Études Banque centrale des États de l'Afrique de l'Ouest SÉNÉGAL</td>
</tr>
<tr>
<td>LARSEN Flemming</td>
<td>Directeur du Bureau européen Fonds monétaire international FRANCE</td>
</tr>
<tr>
<td>KRUGLYK Serhiy</td>
<td>Chef de la mission économique Ambassade d'Ukraine FRANCE</td>
</tr>
<tr>
<td>LATIBEAUDIERE Derick</td>
<td>Gouverneur Banque de Jamaïque JAMAÏQUE</td>
</tr>
<tr>
<td>LACHAUD Françoise</td>
<td>Chef du service des Établissements à vocation financière Banque de France FRANCE</td>
</tr>
<tr>
<td>LAURENT Gérard</td>
<td>Directeur régional de la région Champagne-Ardenne Banque de France FRANCE</td>
</tr>
<tr>
<td>LAGARDÈRE Jean-Luc</td>
<td>Président du Conseil d'administration Matra-Hachette FRANCE</td>
</tr>
<tr>
<td>LAVIGNE Anne</td>
<td>Professeur Université d'Orléans FRANCE</td>
</tr>
<tr>
<td>LALLIER Daniel</td>
<td>Inspecteur général des finances Service de l'Inspection générale des finances FRANCE</td>
</tr>
<tr>
<td>LEBÈGUE Daniel</td>
<td>Directeur général Caisse des dépôts et consignations FRANCE</td>
</tr>
<tr>
<td>LAMFALUSSY Alexandre</td>
<td>Ancien Président de l'Institut monétaire européen Institut d'études européennes BELGIQUE</td>
</tr>
<tr>
<td>LECLERCQ Michel</td>
<td>Président Compagnie nationale des commissaires aux comptes FRANCE</td>
</tr>
<tr>
<td>LANDAU Jean-Pierre</td>
<td>Directeur général Association française des banques FRANCE</td>
</tr>
<tr>
<td>LEFEBVRE Martine</td>
<td>Directeur central Chambre syndicale des banques populaires FRANCE</td>
</tr>
</tbody>
</table>
## Indépendance et responsabilité : évolution du métier de banquier central

<table>
<thead>
<tr>
<th>Nom</th>
<th>Titre/Poste</th>
<th>Institution</th>
<th>Pays</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEFFERS Burkhard</td>
<td>Directeur</td>
<td>Commerzbank AG</td>
<td>FRANCE</td>
</tr>
<tr>
<td>LE GALL Michel</td>
<td>Président</td>
<td>Association du Forex</td>
<td>FRANCE</td>
</tr>
<tr>
<td>LEMAIRE Lionel</td>
<td>Président directeur général</td>
<td>Conflandey SA</td>
<td>FRANCE</td>
</tr>
<tr>
<td>LEMARCHAND Jacques</td>
<td>Directeur de la Documentation et des Publications économiques</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>LEPETIT Jean-François</td>
<td>Président</td>
<td>Conseil des marchés financiers</td>
<td>FRANCE</td>
</tr>
<tr>
<td>LEREBOULLET Jacques</td>
<td>Président</td>
<td>Société française des analystes financiers</td>
<td>FRANCE</td>
</tr>
<tr>
<td>LICHTER Gilbert</td>
<td>Secrétaire général</td>
<td>Association bancaire pour l’euro</td>
<td>FRANCE</td>
</tr>
<tr>
<td>LIEBSCHER Klaus</td>
<td>Gouverneur</td>
<td>Banque nationale d’Autriche</td>
<td>AUTRICHE</td>
</tr>
<tr>
<td>LIZANO Eduardo</td>
<td>Gouverneur</td>
<td>Banque centrale du Costa Rica</td>
<td>COSTA RICA</td>
</tr>
<tr>
<td>LOHMUS Peter</td>
<td>Sous-gouverneur</td>
<td>Banque d’Estonie</td>
<td>ESTONIE</td>
</tr>
<tr>
<td>MACFARLANE Ian</td>
<td>Gouverneur</td>
<td>Banque de réserve d’Australie</td>
<td>AUSTRALIE</td>
</tr>
<tr>
<td>MAHFOUD Ould Mohamed Ali</td>
<td>Gouverneur</td>
<td>Banque centrale de Mauritanie</td>
<td>MAURITANIE</td>
</tr>
<tr>
<td>MAMALEPOT Jean-Félix</td>
<td>Gouverneur</td>
<td>Banque des États de l’Afrique centrale</td>
<td>CAMEROUN</td>
</tr>
<tr>
<td>MANAGADZE Irakli</td>
<td>Gouverneur</td>
<td>Banque nationale de Géorgie</td>
<td>GEORGIE</td>
</tr>
<tr>
<td>MARCHELLI Paul</td>
<td>Membre du Conseil de la politique monétaire</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>MARCHENKO Grigory</td>
<td>Gouverneur</td>
<td>Banque nationale de la République du Kazakhstan</td>
<td>KAZAKHSTAN</td>
</tr>
<tr>
<td>MARTRE Henri</td>
<td>Président d’honneur</td>
<td>Groupement des industries françaises aérospatiales</td>
<td>FRANCE</td>
</tr>
<tr>
<td>MASSAD Carlos</td>
<td>Gouverneur</td>
<td>Banque centrale du Chili</td>
<td>CHILI</td>
</tr>
<tr>
<td>MASSON Christian</td>
<td>Inspecteur général</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>MAUREL Bernard</td>
<td>Président</td>
<td>Association française des banques</td>
<td>FRANCE</td>
</tr>
<tr>
<td>Name</td>
<td>Title</td>
<td>Institution</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>MAYSTADT Philippe</td>
<td>Président</td>
<td>Banque européenne d'investissement</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LUXEMBOURG</td>
<td></td>
</tr>
<tr>
<td>MAZZIOTTA Gérard</td>
<td>Directeur de l'Institut bancaire et financier</td>
<td>Banque de France</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>MBOWENI Tito</td>
<td>Gouverneur</td>
<td>Banque de réserve d'Afrique du Sud</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>AFRIQUE DU SUD</td>
<td></td>
</tr>
<tr>
<td>McDonough William</td>
<td>Président</td>
<td>Banque fédérale de réserve de New York</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>ÉTATS-UNIS</td>
<td></td>
</tr>
<tr>
<td>MELONI Stephano</td>
<td>Président directeur général</td>
<td>Eridania Beghin-Say</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>MERSCH Yves</td>
<td>Gouverneur</td>
<td>Banque centrale du Luxembourg</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LUXEMBOURG</td>
<td></td>
</tr>
<tr>
<td>MEYER Hans</td>
<td>Gouverneur</td>
<td>Banque nationale suisse</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>SUISSE</td>
<td></td>
</tr>
<tr>
<td>MICHAU Jean-Pierre</td>
<td>Conseiller du gouverneur</td>
<td>Banque de France</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>MILHAUD Charles</td>
<td>Président du directoire</td>
<td>Caisse nationale des caisses d'épargne</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>MILLERON Jean-Claude</td>
<td>Administrateur pour la France</td>
<td>Fonds monétaire international</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>ÉTATS-UNIS</td>
<td></td>
</tr>
<tr>
<td>MILLI Jean</td>
<td>Directeur régional de la région</td>
<td>Banque de France</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>MOHOHLO Linah</td>
<td>Gouverneur</td>
<td>Banque du Botswana</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>BOTSWANA</td>
<td></td>
</tr>
<tr>
<td>MOLAGER Bernard</td>
<td>Directeur régional de la région</td>
<td>Banque de France</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Basse-Normandie</td>
<td></td>
</tr>
<tr>
<td>MONNOT Jean-Pierre</td>
<td>Directeur régional de la région Auvergne</td>
<td>Banque de France</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>MOSS Frank</td>
<td>Directeur du Secrétariat du Conseil et des Services de traduction</td>
<td>Banque centrale européenne</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>ALLEMAGNE</td>
<td></td>
</tr>
<tr>
<td>MOUSSY Jean-Pierre</td>
<td>Secrétaire confédéral</td>
<td>Confédération française démocratique du travail</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>MUET Pierre-Alain</td>
<td>Président</td>
<td>Conseil d'analyse économique</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td>NICHOLL Peter</td>
<td>Gouverneur</td>
<td>Banque centrale de Bosnie Herzégovine</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>BOSNIE HERZÉGOVINE</td>
<td></td>
</tr>
</tbody>
</table>
Indépendance et responsabilité : évolution du métier de banquier central

NICOLLE Alain
Adjoint au secrétaire général pour l'Organisation et l'Informatique
Banque de France
FRANCE

NOIRCLERC-SCHOENBERG Danielle
Chargée des Relations extérieures au Cabinet du gouverneur
Banque de France
FRANCE

NOURY Jean-Paul
Président
Assemblée des Chambres françaises de commerce et d'industrie
FRANCE

NOYER Christian
Vice-président
Banque centrale européenne
ALLEMAGNE

O'CONNELL Maurice
Gouverneur
Banque centrale d'Irlande
IRLANDE

OBOLENSKY Ariane
Président du Directoire
Banque de développement des petites et moyennes entreprises
FRANCE

OJO M.O.
Directeur des Études
Banque centrale du Nigeria
NIGERIA

OKUYAMA Yoshitaka
Président directeur général
Banque Nomura France
FRANCE

ORDAX Oriol
Administrateur Directeur général
Caixa Bank
FRANCE

ORTIZ Guillermo
Gouverneur
Banque du Mexique
MEXIQUE

PÉCHA Jacques
Directeur de la Balance des paiements
Banque de France
FRANCE

OYAMA Haruhisa
Délégué général
Banque du Japon
FRANCE

PACE Carlo
Directeur général
Banca di Roma SpA
FRANCE

PADOA-SCHIOPPA Tommaso
Membre du Directoire
Banque centrale européenne
ALLEMAGNE

PAGÈS René-Albert
Directeur régional de la région Aquitaine
Banque de France
FRANCE

PALABOST Jean-Yves
Directeur régional de la région Rhône-Alpes
Banque de France
FRANCE

PAPADEMOS Lucas
Gouverneur
Banque de Grèce
GRECE

PASTRE Olivier
Conseiller scientifique
Revue d'Économie financière
FRANCE

PATAT Jean-Pierre
Directeur général des Études et des Relations internationales
Banque de France
FRANCE

PAULY Élisabeth
Directeur des Marchés de capitaux
Banque de France
FRANCE
Participants

PEMBERTON Leigh
Vice-président
Banque des règlements internationaux
ROYAUME-UNI

PERDRIX Michel
Adjoint au Secrétaire général
Banque de France
FRANCE

PEREZ SALAMERO Jose
Gouverneur
Banque nationale de Panama
PANAMA

PERREAU Dominique
Directeur des Affaires économiques
Ministère des Affaires étrangères
FRANCE

PESENDORFER Konrad
Représentant pour la France
Banque nationale d’Autriche
FRANCE

PFAUWADEL Gérard
Président
Sagitrans
FRANCE

PFEIFFER Didier
Président du conseil de surveillance
Fonds de garantie des Assurances de personnes
FRANCE

PFISTER Christian
Adjoint du directeur des Études et Statistiques monétaires
Banque de France
FRANCE

PHAN Nhay
Directeur central
Banque de Chine (Paris)
FRANCE

PINEAU Alain
Directeur régional de la région Poitou-Charentes
Banque de France
FRANCE

PISANY-FERRY Jean
Conseiller auprès du ministre
Ministère de l’Économie, des Finances et de l’Industrie
FRANCE

PLIHON Dominique
Professeur
Université de Paris XIII
FRANCE

POLLIN Jean-Paul
Professeur
Université d’Orléans
FRANCE

PONCET Patrice
Professeur
École supérieure des Sciences économiques et commerciales
FRANCE

PONTET Guy
Chef du Cabinet du gouverneur
Banque de France
FRANCE

PRADA Michel
Président
Commission des opérations de Bourse
FRANCE

PRINGLE Richard
Éditeur
Central Banking Publication Ltd
ROYAUME-UNI

PROUTAT Jacques
Directeur régional de la région Languedoc-Roussillon
Banque de France
FRANCE

PUJAL Armand
Adjoint au secrétaire général de la Commission bancaire
Banque de France
FRANCE

QUADEN Guy
Gouverneur
Banque nationale de Belgique
BELGIQUE
<table>
<thead>
<tr>
<th>Nom</th>
<th>Titre</th>
<th>Organisation</th>
<th>Pays</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUEVA Hervé</td>
<td>Adjoint au secrétaire général</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>RAVELOJAONA Gaston</td>
<td>Gouverneur</td>
<td>Banque centrale de Madagascar</td>
<td>MADAGASCAR</td>
</tr>
<tr>
<td>RAYMOND Robert</td>
<td>Président</td>
<td>Compagnie parisienne de réescompte</td>
<td>FRANCE</td>
</tr>
<tr>
<td>REBECCINI Salvatore</td>
<td>Délégué et représentant</td>
<td>Banque d’Italie</td>
<td>FRANCE</td>
</tr>
<tr>
<td>REDOUIN Jean-Paul</td>
<td>Second sous-gouverneur</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>REPSE Einars</td>
<td>Gouverneur</td>
<td>Banque de Lettonie</td>
<td>LETTONIE</td>
</tr>
<tr>
<td>RESSLER Kirby</td>
<td>Conseiller aux Affaires économiques</td>
<td>Ambassade des États-Unis</td>
<td>FRANCE</td>
</tr>
<tr>
<td>RICHARD Philippe</td>
<td>Adjoint du directeur des Établissements</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>RICHARDSON Gordon</td>
<td>Conseiller pour l'international</td>
<td>Morgan Stanley &amp; Co Inc.</td>
<td>ROYAUME-UNI</td>
</tr>
<tr>
<td>RISCHARD Jean-François</td>
<td>Vice-président pour l’Europe</td>
<td>Banque mondiale</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ROBERT André</td>
<td>Membre de la Commission bancaire</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ROBERT Bernard</td>
<td>Adjoint au caissier général</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ROESKE Hartmut</td>
<td>Directeur général</td>
<td>Bayerische Hypo &amp; Vereinsbank AG</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ROGIC Zdravko</td>
<td>Conseiller auprès du gouverneur</td>
<td>Banque nationale de Croatie</td>
<td>CROATIE</td>
</tr>
<tr>
<td>ROJO Luis Angel</td>
<td>Gouverneur</td>
<td>Banque d’Espagne</td>
<td>ESPAGNE</td>
</tr>
<tr>
<td>RONCIN Marcel</td>
<td>Président</td>
<td>Association française des professionnels de titres</td>
<td>FRANCE</td>
</tr>
<tr>
<td>ROSABRUNETTO Isabelle</td>
<td>Adjoint au directeur du Budget</td>
<td>Ministère d’État au département des Finances et de l’Économie</td>
<td>MONACO</td>
</tr>
<tr>
<td>RUSTAMOV Elman Siradj Oglu</td>
<td>Gouverneur</td>
<td>Banque nationale de l’Azerbaïdján</td>
<td>AZERBAÏDJAN</td>
</tr>
<tr>
<td>SAID HAMD SAID Ali</td>
<td>Gouverneur</td>
<td>Banque des Comores</td>
<td>COMORES</td>
</tr>
<tr>
<td>SAINT MARC Michèle</td>
<td>Membre du Conseil de la politique monétaire</td>
<td>Banque de France</td>
<td>FRANCE</td>
</tr>
</tbody>
</table>
Participants

SALAME Riad
Gouverneur
Banque du Liban
LIBAN

SEQAT Mohammed
Gouverneur
Banque du Maroc
MAROC

SALSON Jean
Directeur régional de la région Haute-Normandie
Banque de France
FRANCE

SICSIC Pierre
Adjoint au chef du service des Études économiques
Caisse des dépôts et consignations
FRANCE

SAMY Tim
Directrice de la Comptabilité
Banque nationale du Cambodge
CAMBODGE

SOKHOM Pal
Chef du service du Personnel
Banque nationale du Cambodge
CAMBODGE

SANNISITH Sum
Secrétaire général
Banque nationale du Cambodge
CAMBODGE

SOKUN Lim
Directeur du Personnel
Banque nationale du Cambodge
CAMBODGE

SAPIN Michel
Ministre de la Fonction publique
Ministère de la Fonction publique, de la Réforme de l’État et de la Décentralisation
FRANCE

SONAKUL Chatu Mongol
Gouverneur
Banque de Thaïlande
THAÎLANDE

SARBANOV Ulan
Gouverneur
Banque nationale de la République du Kirghizistan
KIRGHIZISTAN

SPIRO Joel
Ministre conseiller aux affaires économiques
Ambassade des États-Unis
FRANCE

SARGSYAN Tigran
Gouverneur
Banque centrale d’Arménie
ARMÉNIE

STELMAKH Volodymyr
Gouverneur
Banque nationale d’Ukraine
UKRAINE

SARKINAS Reinoldijus
Gouverneur
Banque de Lituanie
LITUANIE

STRAUSS-KAHN Marc-Olivier
Adjoint au directeur général des Études et des Relations internationales
Banque de France
FRANCE

SAUTTER Christian
Ancien ministre de l’Économie, des Finances et de l’Industrie
FRANCE

SUAREZ German
Gouverneur
Banque centrale de réserve du Pérou
PÉROU

SCHLESINGER Helmut
Président honoraire
Banque fédérale d’Allemagne
ALLEMAGNE

SULAIMAN Ali Abul Hassan
Gouverneur
Banque centrale de Malaisie
MALAISIE
Indépendance et responsabilité: évolution du métier de banquier central

SURÁNYI György
Gouvrneur
Banque nationale de Hongrie
HONGRIE

TOSOVSKY Joseph
Gouvrneur
Banque nationale de la République tchèque
RÉPUBLIQUE TCHÈQUE

TALMACI Léonid
Gouvrneur
Banque nationale de Moldavie
MOLDAVIE

TOUTÉE Henry
Conseiller d'État
Conseil d'État
FRANCE

TANTOT Michel
Directeur régional de la région Limousin
Banque de France
FRANCE

TOUZERY Robert
Conseiller d'État
Conseil d'État
FRANCE

THÉVENOUX Sophie
Membre de la Commission bancaire
Ministère d'État au département des Finances et de l'Économie
MONACO

TRANCART Gilles
Associé gérant
Oddo et Compagnie
FRANCE

THIBEAULT Jean-Claude
Directeur général des Ressources humaines
Banque de France
FRANCE

TRICHERT Jean-Claude
Gouvrneur
Banque de France
FRANCE

THIESSEN Gordon
Gouvrneur
Banque du Canada
CANADA

TROESCH Jacques-André
Conseiller maître
Cour des comptes
FRANCE

THORAVAL Pierre-Yves
Directeur de la Surveillance générale du système bancaire (SGCB)
Banque de France
FRANCE

ULLMO Yves
Conseiller maître
Cour des Comptes
FRANCE

UNENBAT Jigjd
Gouvrneur
Banque de Mongolie
MONGOLIE

TIROLE Jean
Professeur
Université de Toulouse 1
FRANCE

URRUTIA Miguel
Gouvrneur
Banque de Colombie
COLOMBIE

VAHAJI Mohammad Javad
Sous-gouverneur
Banque centrale de la République islamique d'Iran
IRAN

TOLA May
Inspecteur général adjoint
Banque nationale du Cambodge
CAMBODGE
Participants

VAISSIÉ Pierre
Chef du service des Établissements à vocation bancaire
Banque de France
FRANCE

VAUTRAVERS Alain
Directeur régional de la région Alsace
Banque de France
FRANCE

VEDRINE Hubert
Ministre des Affaires étrangères
FRANCE

VERPLAETSE Alfons
Gouverneur honoraire
Banque nationale de Belgique
BELGIQUE

VIENNEY Alain
Caissier général
Banque de France
FRANCE

VIÉNOT Marc
Président
Paris Europlace
FRANCE

VILLEROY de GALHAU François
Directeur général des Impôts
Ministère de l’Économie, des Finances et de l’Industrie
FRANCE

VIOLETTA Giuliano
Directeur général
Banca nazionale del Lavoro SpA
FRANCE

WAITZENEGGER Jacques
Sous-gouverneur honoraire
Banque de France
FRANCE

WELLEINK Nout
Président
Banque des Pays-Bas
PAYS-BAS

WELTEKE Ernst
Président
Banque fédérale d’Allemagne
ALLEMAGNE

WINTELER Giorgio
Président directeur général
Banca commerciale Italiana France SA
FRANCE

WOLFENSOHN James
Président
Groupe de la Banque mondiale
ÉTATS-UNIS

WORMSER Alain
Président directeur général
Banque d’escompte
FRANCE

WYPLOSZ Charles
Professeur
Institut universitaire de hautes études internationales
SUISSE

YAM Joseph
Gouverneur
Autorité monétaire de Hong-Kong
HONG-KONG

YAMAGUCHI Yutaka
Sous-gouverneur
Banque du Japon
JAPON

YANG Lingqun
Directeur général
Banque de Chine (Paris)
FRANCE

ZONIABA Serge Blaise
Chef de Cabinet du gouverneur
Banque des États de l’Afrique centrale
CAMEROUN