

Implementing EC Policies: the Impact of the European System of Central Banks on Monetary Policy

**Research Project
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During the last period I have been studying the implementation of EC administrative law and EC legislation, especially with regard to the implementation of the policies pursued within the European Union. Each EC policy offers many profiles of discussion under the point of view of its implementation. Since each policy have to be implemented, the standard of its implementation can give the idea of the degree of European integration.

I have focused my attention on monetary policy because I think it is most interesting mainly for the institutional as well as for the operational framework set up for its achievement, but also and consequently since it is one of those fields where most integration can be checked. Differently from other policies, the definition and the implementation of single monetary policy was transferred from the European countries' sovereignty to the recently born European System of Central Banks. Therefore, the profile that characterize monetary policy from other ones, is the institution that has been build up under the project of the pursuit of an European Monetary Union.

The aim of my research is to define the characteristics of the organization set up for the implementation of monetary policy. The item is important since maybe the Escb is a totally new organizational framework, formed by a network of national banks operating as European agents.

The ESCB - also called Eurofed in honour of the influences deriving from the United States Federal Reserve System - is composed of the European Central Bank and of the National Central Banks of all 15 Member States, including those which don't participate to the third stage of the Monetary Union, meaning that stage that should lead to the adoption of the single currency. The 4 National central banks of those Member States which do not participate to the euro area, take part in the ESCB with a special *status*: this means that they are allowed to conduct their respective national monetary policy and that they are not involved in the decision making and implementation with regard to the single monetary policy, even if they are called to play a role in some decisions. Eurosystem is the term used to refer to ECB and the 11 National Central Banks of those Member States which have adopted the euro.

As recently remarked by Professor Chiti¹, thanks to its independence, the ESCB represents an organization apart from others EC institutions as well as from Member States' ones.

The process of decision making of monetary policy in Eurosystem is centralized through the bodies of the ECB, namely the Governing Council and the Executive Board. The other body of the ECB, the General Council – where the national banks of the 4 states not participating are represented as well - has more limited competences. On the contrary, the implementation of

¹ M.P. Chiti, *Diritto amministrativo europeo*, Milano, Giuffrè, 1999, 236-7.

monetary policy is decentralized since it is left to the procedures and practices of Member States National Banks.

About the ESCB has been said that it is independent both in targets and in instruments². The European Central Bank however is strongly independent from the point of its objective since it can freely determine the degree of inflation in respect of its main target of stability of prices. Without prejudice to this objective, the ESCB shall support the general economic policies in the Community and act in accordance with the principles of an open market economy. Independence have been assured both to the bodies and to its staff. Moreover, the rules governing the ESCB have been covered by a constitutional feature and they can be changed only through a strengthened procedure. As a counterbalance for the high degree of independence given to the ESCB, the conduct of ECB and of National Central Banks must be transparent and accountable. The starting of the ESCB required convergence. Legal convergence of the statutes of national banks forming part of the ESCB as well as economic convergence of the budgets of Member States. The defined Maastricht parameters were thought to prepare an eligible ground in order to guarantee the transition to euro and the achievement of single market.

The result is an operational framework heavily influenced by the experience of National Central Banks but at the same time new from the institutional operational profile. This organizational set-up is from some aspects more complicated because it requires a consistent and harmonized framework. From others, it manages to took the *maximum* advantage from the national experience.

Certainly it represents an original model of EC administration: centralized in the decision making, decentralized in the implementation, within the ESCB the national central banks are requested to participate actively both indirectly, to the definition of the monetary policy, by forming part of decision-making bodies of the ECB and directly to its implementation. Thus the ESCB is an attractive example of integrated administration. On the other hand, monetary policy is the result of cooperation as well as coordination between the ECB and the NCB. More precisely, it is the result of the joint action brought off by the various subjects operating within the ESCB.

In conclusion, some reflections on the enforceability of a kind of this model to other EC policies, with special regard to competition one. After the promotion of decentralized operational framework, the next step in this field should lead to an integrated system, where domestic authorities could be called to participate as well a supranational one, and coordination and cooperation would be working³.

The most fitting methodology for this kind of research is the modeling one. Therefore, the research will consist of three parts: after an introduction on EC policies, the first part will develop the topic of the single monetary policy; the second one is the central body of the research and analyzes the ESCB, setting out the principles both from an organizational and from an operational

² M. Buti – A. Sapir, La politica economica nell'Unione economica e monetaria europea, Bologna, Il Mulino, 1999, 28.

³ Libro bianco sulla modernizzazione delle norme per l'applicazione degli articoli 85 e 86 del Trattato Ce, Bruxelles, 28.04.1999.

point of view; in the third part it will be examined the model of administration set up within the ESCB; finally some conclusions on the outcomes from the principles set out I the second part of the analysis. The sources of the research will be taken mostly from the opinions of the experts as well as from the national central banks' experience.