

Danish Economic Council

Torben M. Andersen
Aarhus University

History

- Established in 1962
- Idea: Forum for income settlements
- Structure:
 - Independent economists: state of the economic – room for wage increases etc. (three chairmen = three vicemen)
 - Council: representatives from various organisations, government and central bank to discuss and reach consensus

- The original idea was a failure
- Structure maintained and survived
- Role as an independent voice on economic policy
 - Government/policy makers
 - Ministries
 - Private organisations/institutions

Mandate

- Monitor the economic development and examine the long term development potential and contribute to coordination of different economic interests
- (2007) Examine the interplay between economic and environmental factors and the effectiveness of environmental policies

Output

- Two reports each year – *The Danish Economy*
 - Part I: Business cycle situation and forecast, and policy evaluation
 - Part II: Specific issue (Productivity, health, pensions, taxes, education, income distribution.....)
- One report: *Economy and the Environment* (since 2007)
 - + one more viceman (specialist on environment)

Resources

- Staff: +- 30 persons (+-20 with a degree in economics)
- Budget: approx DKK 25 mill kr.
- Runs and maintains a macromodel used for business cycle forecasts (SMEC-model)
- Outsource some analyses (e.g. Fiscal sustainability – DREAM model)

Format

- Chairmen (4, earlier 3)
 - independency (decides on topics and policy conclusions)
 - responsible for content of reports
- Reports are presented to Council before they are made public - Discussion at the Council meeting
- Council member have their comments published as an appendix to the report
- Nb different councils for economic and environmental reports

The role of the council meeting

- Discussion at the meeting does not change content or conclusions of the report
- Member organisations take the meeting serious and they issue a press statement with their views on the report/current economic situation
- Intense media coverage

Independence

- Chairmanship works independently
- Formally a unit under the ministry of economic affairs, but de facto independent
- Fixed but renewable appointment period (3 ys) – overlapping
- A new chairman is proposed by the existing chairmen

Reputation

- Established over the years – track record for solid and independent work
- Strong media focus/exposure
- Political attention:
 - Power holders in focus (checks and balances)
 - Opposition and media find ammunition in the reports, the government finds them too critical!!
 - Changing governments: alternating roles!
 - Clear to the public that there is no partisan bias

Economics vs. politics

- Thin borderline
- Important that statements are supported by analysis
- Reported in writing – arguments can be discussed and evaluated

Impact

- Specific proposals (fiscal policy...)
- Information/discussion
 - Disciplining debate
 - Protecting civil servants
- Damage control
- Paving the way for structural reforms

Power

- Reports are formally submitted to the government
- Government/Minister of Finance has no formal responsibility to comment on the report
- In practice – the government has to respond – strong pressure from the media
- No formal power
- Power via impact of arguments

Implicit fiscal council

- All reports deal with current fiscal policy, i.e. stabilisation policy
- For the last +/- 10 years the issue of fiscal sustainability has been monitored and discussed

Conclusion

- Specific structure is an outcome of a historical process – not easy to copy
- Formal structure is vulnerable – in practice it is not, due to strong visibility and reputation
- High political cost of interfering with the independence of the council