Monetary policies and their effects on the real economy in the context of preparation for the third stage of EMU

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"Money is not neutral". Monetary policy cannot be considered as an abstract concept, for it has an impact on nominal parameters, such as the inflation rate and interest rate, as well as on real economic performance. Such was the tenet of the own-initiative report by Mr Lyndon HARRISON (PSE, UK), which was adopted by the Committee on Economic and Monetary Affairs. The rapporteur made a number of recommendations, including the need for a better balance (policy mix) between monetary policy and budgetary policy. Furthermore, if the prime objective of monetary policy is price stability, a satisfactory link has to exist with other indicators, such as the gross fixed capital formation and investment patterns, the development of unit labour costs, the balance of current account, the unemployment rate and the progress in the completion of the internal market.