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Independent advice is more vital than ever

Keeping Germany's Council of Economic Experts independent

Moritz Kraemer -- Chief Economist

LBBWResearch@LBBW.de

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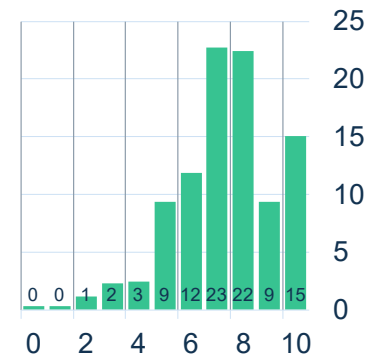
The German Council of Economic Experts – usually shortened to SVR in German – has existed since the early 1960s. Each year, it publishes a report that offers an academically grounded assessment of the German economy. It is one of the most important economic advisory bodies to the German government. When the Council was created, the group around then economics minister Ludwig Erhard took inspiration from the U.S. Council of Economic Advisers (CEA). But they made the SVR more independent and built in greater personal and ideological distance from the government than in the CEA's case. Members of the CEA are nominated by the U.S. president – and presidents tend to pick people who are close to their own camp. By contrast, the economists on the SVR are appointed by the Federal President on the recommendation of the federal cabinet. Their term is five years, and renewal is quite common. The list of former members reads like a who's who of the German economics profession. I am certainly not the only one who has been consulting the SVR's annual report ever since my student days.

Diversity of views as a design principle

Within the Council, the goal is open debate and a genuine diversity of views. That is both essential and appropriate – especially at a time when political polarization is pronounced as it currently is (see [fig. 1](#)) and governments' room for maneuver is shrinking. By tradition, at least one economist close to the trade-union camp is deliberately appointed to the Council, as well as one who is regarded as more business-friendly and aligned with employers' interests. Diversity is seen as a strength. By and large, this setup still works remarkably well today.

The role of the Council

Fig. 1: Perception of a division in society in Germany (in %) (0 = no polarization, 10 = max. polarization)



Source: [Mercator Forum](#), LBBW Research

Recently, however, there have been nomination episodes that risk creating the impression that the Council is increasingly exposed to day-to-day political interests. As an institution, the SVR still broadly fulfils the role it was originally meant to play. We are talking about very gradual shifts – but the old warning applies: they should be nipped in the bud.

Most recently, the issue was the decision not to renew the mandate of Ulrike Malmendier, a professor of economics at the University of California, Berkeley. The distinguished capital-markets expert had to leave the SVR after just three and a half years. Shortly before her term ended, she received a phone call from the economics ministry informing her that her services would no longer be required. This came as a surprise, given that the German government claims to strengthen capital markets and mobilize more private capital for investment. Her departure is all the more striking because the CDU/CSU is now championing ideas that go back to Malmendier's work – yet no longer wants her on the Council.

Personnel controversies of this sort can undermine the SVR's authority – all the more so because the Council's internal disagreements have recently become more public. Nor is the Malmendier case unique. Lars Feld of the economically liberal Walter Eucken Institute in Freiburg met a similar fate: he would have liked to continue, but was forced out under pressure from the Social Democratic Party (SPD), in early 2021.

A ministry seeking approval not advice

Anyone who genuinely wants independent advice should explicitly welcome voices that dissent from their own views. Retreating into one's own bubble – as often happens with the American CEA – generally leads to worse outcomes. The fact that the German economics ministry has created its own advisory group composed exclusively of rather conservative professors (including an SVR member who also sits on the supervisory board of an energy company and serves as co-editor of a media portal) speaks to a debate culture in reverse gear. The economics minister's plan to outsource in-house responsibilities to external consultants likewise suggests that she is less interested in argument than in endorsement. One might well ask who will be selected for this advisory work – to say nothing of the costs.

None of this should be misconstrued as criticism of the SVR's new member, the renowned Austrian economist [Gabriel Felbermayr](#). On the contrary: as a specialist in international trade and geopolitics, he is exceptionally well suited to the role in an era shaped by a Trumpian world order. I invited him some time ago to speak at an LBBW Research symposium, and he enriched the discussion enormously. But that does not make the treatment of his predecessor any better.

Diversity of views is an asset, not a flaw

Despite all that, Felbermayr is an excellent choice

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