

A fresh thinker, not a bureaucrat, is needed to lead ECB research

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Sir, The European Central Bank is about to appoint a new head of research, following the departure of Vitor Gaspar, the Portuguese economist who six years ago created from a greenfield the ECB's research department. After an attempt to reach out to academia, the bank appears to be converging towards the appointment of one of its own staff: it should think twice.

The best central banks in the world understood long ago the benefits of attracting fresh thinking, particularly in the area of economics and research. The Bank of England first hired Mervyn King, then Oxford's John Vickers, then Charlie Bean, probably the brightest UK macro-economist. The research group at the New York Fed has been run by Fredrick Mishkin and Stephen Cecchetti, two among the top US monetary economists. The World Bank has had a long string of top economists running its research department, starting with Stanley Fischer and Larry Summers. The International Monetary Fund first attracted Jacon Frenkel and Michael Mussa from the University of Chicago, then Harvard's Kenneth Rogoff; more recently Ragu Rajan, also from Chicago.

Academic consultants, which the ECB uses regularly, are not a substitute for hiring outsiders. To remain alive, a research department needs a constant inflow of fresh minds but this can only happen if there is a corresponding outflow. A central bank that every year does not lose some of its most promising young economists will soon stop hiring and will turn into a dull bureaucracy. At the Bank of England the brightest young economists often leave to join a university: there is nothing wrong with this because every year the Bank replaces them with some of the best candidates on the academic job market. Stop the outflow and the inflow will also stop.

But it requires a very particular "chemistry": a young PhD who joins the Bank of England knows that the place is run by someone who will understand his or her wish to keep up with high-quality research, and who will also provide guidance; put a bureaucrat in charge and the best candidates will not even attend an interview.

The fact that the ECB's quest for an academic to run its research department has apparently failed is not just bad luck. There is information in the observation that Rogoff decides to leave Harvard for the IMF but his European colleagues would not consider moving to Frankfurt, not even temporarily. Is it because research at the ECB is not as unconstrained as it is at the Bank of England or the New York Fed?

The ECB already suffers from the process whereby the members of its executive board are selected: there is no chance that someone such as Mervyn King would ever be appointed to the ECB board. Let us see some fresh thinking creep in, at least in the area of economics and research.

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