

ECB board selection process is too restrictive

Published: February 8 2005 02:00 | Last updated: February 8 2005 02:00

From Prof Francesco Giavazzi and Prof Charles Wyplosz.

Sir, Every spring, one of the six members of the European Central Bank executive board must be replaced. The board's job is to run the ECB and, importantly, to formulate the interest rate proposal submitted twice a month to the ECB Council. The board is arguably the locus of power in the eurosystem, so these appointments matter a great deal.

In order to guarantee their independence, board members are not elected but appointed by heads of state and governments. This is how it should be. What is not right, however, is the appointment process.

You would believe that each member is carefully chosen after a wide search for the most qualified persons. Not so. Against the spirit, if not the letter, of the European Treaty, it gradually transpires that not only do the four large countries (France, Germany, Italy and Spain) have a permanent seat, but also that they are given *carte blanche* in the choice of who will hold that seat. This year, it is Italy's turn. We do not question the competence of the individuals who have been chosen, but we believe that the selection process is seriously inadequate.

Since the members of the board explicitly serve in their own capacity, they should be chosen solely on their own merits, irrespective of the passport they carry. Delegating this process to one country four times out of six is not just unduly restricting the search, it also locks it into national politics.

To make things worse, so far all members of the executive board have been picked from the ranks of officials, typically from central banks and treasuries. This is bound to deliver a high degree of agreement among the members of the board, but too easy a consensus can be counter-productive, especially in an area where the calls are often close and where ideas evolve pretty fast.

This is why other leading central banks reach out for outsiders to staff their decision-making bodies, bringing in fresh views from financial markets, business and academia. If diversity generates more heated discussions behind the bank's closed walls, we may rest assured that all options have been duly considered. Right now, we are not so sure.

It is high time that these crucially important appointments be carried out in the open, that the pool of candidates be extended to all possible competences, and that diversity of background and opinion be seen as a necessary attribute for the composition of the executive board.

Francesco Giavazzi, Professor of Economics, Bocconi University, 20136 Milan, Italy
Charles Wyplosz, Professor of Economics, Graduate Institute of International Economics, 1202 Geneva, Switzerland