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Letters to the Editor

Quality of ECB board appointees is crucial

From Prof Paul de Grauwe, Prof Francesco Giavazzi and Prof Charles Wyplosz

Sir, Over the next two years, four of the six members of the executive board of the European Central Bank will have reached the end of their non-renewable mandates. The broad public is largely unaware of what they do, the politicians who appoint them may not fully appreciate what it takes to do it right, yet they are some of the most important bureaucrats in Europe. They are entrusted with the mandate of price and financial stability. If they fail, and inflation is high or financial markets collapse, their crucial role becomes all too apparent, but it is too late.

This is why all the discussions about making Europe a better place to live and prosper should pale in the face of the appointments to be made in the near future. This is not the case, it seems. Governments often see placing a fellow citizen on the executive board as a smart move, irrespective of his or her competence. Horse-trading international positions is a well established practice. Most regrettably, it applies to the ECB. Running a central bank requires a high degree of understanding of money, a highly technical issue, and of financial markets, which are increasingly complex and therefore crisis-prone. The Great Financial Crisis has shown the importance of having central bankers who master the required knowledge. The central bankers have made a number of startling innovations, including zero or negative interest rates, quantitative easing, macro-prudential policies and more. They could think out of the box because they were among the most qualified people.

The process of appointing the bulk of ECB decision makers is starting. At this stage, there is no indication that the governments that will pick these people realise that the departing members of the executive board have succeeded in bringing the euro back from a total collapse because they were professionals of the highest calibre. This is natural, you never know exactly what dangers you escaped, nor precisely why. We do not care what passports these people hold but we do care that they be chosen from the pool of the best-suited European experts, not active politicians and not even from administrators with scant knowledge of monetary matters.

Because it matters so much for all citizens, the appointments should not be conducted behind closed doors on the basis of a spoil system. A list of highly competent candidates must be drawn up and subject to scrutiny.

Finally, there is only one woman on the board at this moment, which is an embarrassment. There are several highly qualified women in Europe. We urge governments to use this opportunity to redress a major imbalance in the gender composition of the ECB board that is becoming unacceptable.

Paul de Grauwe, London School of Economics, UK
Francesco Giavazzi, Bocconi University, Milan, Italy
Charles Wyplosz, The Graduate Institute, Geneva, Switzerland