

Central bank independence

Manual Guitián's illuminating review of Alan Blinder's *Central Banking in Theory and Practice*, in *Finance & Development*, June 1998, raises some critical issues concerning central bank independence.

Blinder's definition of central bank independence underestimates its intrinsic ambiguity. He defines it to mean instrument independence, but not *goal* independence, as well as independence from the financial markets. Its "critical hallmark" is "near irreversibility." But there are also other kinds of independence, *de jure* and *de facto*, constitutional and statutory, strategic and tactical, not to speak of *degrees* of independence. Blinder recognizes that the negative correlation between central bank independence and inflation does not hold for a sufficiently large sample of countries, even using multivariate analysis, and that recent studies have questioned whether correlation implies causation. Therefore, the case of central bank independence rests not on control of inflation but on the insulation of monetary policy from politics, which has been persuasively presented much earlier by Montagu Norman (1932), Plumptre (1937 and 1947), Nordhaus (1975), and Assar Lindbeck (1976). In fact, Plumptre argued that the rationale for independent central

banks is basically the same as for an objective civil service. But then "the removal of monetary policy [from] the political sphere is itself a political act" (Jon Elster, 1988). More important, monetary policy is not a stand-alone instrument, and central bank independence is no guarantee of central bank infallibility. Oddly, economists who have studied in depth both government and market failures have been strangely coy in analyzing central bank failures. Blinder does not follow up his tantalizing reference to "many monetary authorities who have failed to acquit themselves with distinction."

Yet another intriguing conundrum is why the IMF, after forcefully arguing as early as 1968 "in favor of a high degree of central bank independence" (Frank Southard, Jr., Deputy Managing Director, *Finance & Development*, June 1968), allowed this now fashionable doctrine to lapse into institutional oblivion. It does not figure as an element of conditionality in the IMF's adjustment programs, whose success seems unrelated to the degree of central bank independence. Clearly, policy conditionality is more critical than institutional conditionality. Is there an agnostic message here for the converted?

Anand Chandavarkar

IMF Advisor (retired)
Washington, DC



INTERNATIONAL MONETARY FUND

Each year the International Monetary Fund seeks men and women economists below the age of 33 from its member countries to fill 30–35 positions in its Economist Program. This two-year program enables those interested in a career in the IMF to undertake one-year assignments in two different departments and thus experience a variety of Fund work, including missions to at least two member countries. While practical training in a number of areas is provided to participants, it is not a "trainee program" in the usual sense, as participants are expected to contribute to the Fund's work from the outset. Most participants are offered a position on the permanent staff at the end of this initial two-year appointment.

Applicants must have an excellent command of written and spoken English, strong quantitative and computer skills, as well as a superior academic training in economics—with emphasis on monetary economics, international trade and finance, and public finance. The typical successful EP candidate is 29 years old, has a PhD in macroeconomics, and has demonstrated aptitude in working as an applied economist on policy issues in an international environment. However, the Fund is also very interested in those with a master's degree and some years of relevant work experience in such fields as banking, finance, international capital markets, environmental economics, taxation, privatization, and financial regulatory issues—provided that they can also show a thorough grounding in macroeconomics.

Participants in the Economist Program receive a competitive compensation package. There are two intakes into the Economist Program in 1999, on June 1 and October 1. Applicants for both groups should submit their resumes, preferably by mid-October, but no later than November 30, 1998. Only resumes and applications in English will be considered. Inquiries and applications should be addressed to:

INTERNATIONAL MONETARY FUND

RECRUITMENT DIVISION, Room IS9-100
700 19th Street, NW, Washington, DC 20431 USA
TELEFAX: (202) 623-7333
INTERNET: <http://www.imf.org>
E-mail: recruit@imf.org

ECONOMIST PROGRAM