

## Chapter 4

### ECB leaders, a new European monetary « elite »?

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« The members of the Governing Council are often described as belonging to different fractions. Some are « doves », others are « hawks ». To which fraction do you belong?

- As chairman of the ECB, I am talking on behalf of the Governing Council. It is an excessive simplification for summing up the positions of the various members of the Council that way. We have a thoroughly close-knit Governing Council, the entity making the decisions in the ECB is the Governing Council properly speaking and not a fraction thereof. Each of us is responsible for the stability of the whole Euro zone, and none of us represents any particular lobby, any particular economy or notion whatever it may be. Moreover, I consider that collective wisdom is fundamental and de facto each of us integrates others' wisdom and views and reserves the right to change his approach according to this interaction. As a chairman, I see to it that the Governing Council fulfils his mandate as inscribed in the Treaty price stability<sup>1</sup>. »

« The councils of the central banks include hawks and doves, such has always been and will always be the case. Two of the worst hawks of the Governing Council of the ECB are Jürgen Stark, a member of the Executive board, in charge of the monetary policy, and Axel Weber, the chairman of the Bundesbank. Both have indeed stated that the European interest rates might increase. To what extent should these signals be taken seriously<sup>2</sup>».

« Personalising the decisions, which media in particular are logically inclined to do, risks focusing on public attention rather on the decision-making process and the individual opinion than on the effective results of the meetings and the relevant economic arguments<sup>3</sup>. »

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<sup>1</sup> Interview of 11 December 2006 with Jean-Claude Trichet, the Chairman of the European central bank, conducted by Mrs Irini Chrysolora (*Ta Nea*), Mr Moritz Döbler (*Der Tagesspiegel*) and Mr Pierre Leyers (*Luxemburger Wort*), published on 18 December 2006.

<sup>2</sup> Eurointelligence ECB Watch, October 2007.

<sup>3</sup> Otmar Issing, *The Birth of the Euro*, Cambridge, Cambridge University Press, 2008, p.160-161.

Confronted with a financial crisis of unexpected magnitude in September-October 2008, the central banks have rapidly deployed an arsenal of means of monetary intervention in order to deal with the threatening collapse of the world financial system. By providing liquidities to the financial markets, by reducing rapidly their leading interest rates until they reach "historical" *minima*, by granting banks and financial institutions extended refinancing opportunities and by widening their modalities of interventions on the markets (what is called "non-conventional policies"<sup>4</sup>), they fulfilled the function of stabilisation which makes them essential institutions to the world financial capitalist order<sup>5</sup>. They also develop a discourse on the necessary "regulation" of world finance. This is the case with the European Central Bank, which is quite active on this double front: immediate and urgent response to the crisis on one hand, propositions to reform of the financial regulation on the other<sup>6</sup>.

Often described as rational actors reacting by their monthly decisions to a changing environment<sup>7</sup>, the central banks are complex organisations, driven by social agents coming from specific fractions of the field of power: administration, politics, university, finance. Monetary policies are implemented by "committees"<sup>8</sup>, constituted of sets of prominent individuals, appointed by political authorities, who possess different types of legitimacy: academic, political, financial, etc. These committees make decisions, which are presented in a second stage as those of the institution as a whole. If they have held the monopoly of monetary policy since the global shift towards their "independence", central bankers also play a structural political role in the promotion of (public and private) financial stability (in particular in Europe, where they became the tireless campaigners of the "stability and growth pact" and in the context of the crisis, of a rapid reduction of budgetary imbalances); to a greater extent, they are in line with a "reformist" (neoliberal) coalition which advocates "structural reforms" of the goods and services markets, of the labour market and a regulated growth of the financial markets<sup>9</sup>. The ECB is at the forefront of such a coalition in Europe.

In the space of central banks, the ECB has conquered a reputation based on anti-inflationist rigour (often described as "excessive" by various economists and political actors, in particular in France), of low sensitivity to the value of the Euro, and most recently of strong commitment to market regulation (which nevertheless seemed to have often been defaulted during the periods of euphoria), as well as of reactivity in the face of the crises (contested, especially during the summer of 2008). During the *subprime* crisis, if the ECB did not anticipate the violent reversal of anticipations by the summer of 2008 (the latest increase in its interest rates date back to July 2008), it reacted vigorously by using various instruments (up to the non-conventional policies it implemented especially since 2010, by accepting to hold public obligations of some peripheral countries in distress under specific conditions). It did not

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<sup>4</sup> For a synthesis, cf. Bentoglio, Guidoni, 2009.

<sup>5</sup> Public institutions strongly related to the banks and to the private financial actors, intervening continuously in the world markets, fueled by the work of economists, the central banks are simultaneously "political" actors accountable to the elected officials and the citizens, which places them at the heart of the field of power.

<sup>6</sup> We shall look up in particular the dialogue between Romano and Padoa-Schioppa, 2009. A former member of the Executive board of the ECB and one of the architects of the Economic and Monetary Union, Padoa-Schioppa embodied the most « renewing » fraction of the world of central bankers.

<sup>7</sup> A large literature with a strong economic orientation models the actions of the central banks as the products of a strategic behaviour in a changing macroeconomic context (especially inflation, GDP...), and studies the respective merits of monetary policies obeying fixed rules (such as the "rule of Taylor"), of the independence of the central bank, inflation targeting or monetary targeting. See for example Goodhart, 1994. On the new conditions for exercising the profession of central banker in the global economy, cf. Patat, 2003.

<sup>8</sup> This "silent revolution" of the committees has been aptly described by Alan Blinder, a "democrat" academic economist and former vice-chairman of the Federal reserve, in Blinder, 2004.

<sup>9</sup> See the research by Martin Marcussen on the group of central bankers as campaigners of public policies and of ideas, and on its characteristics. For example, Marcussen, 2009.

adopt a behaviour quite different of that of its American counterpart or of other countries<sup>109</sup>, even though it did not go as far in decreasing its interest rates, since the REFI rate reached the floor of 1% (later 0.75%), nor into the *credit easing* policy, which was developing in the United States with the *quantitative easing* policies.

## Origins of an institution and issues of a biographical approach

The literature is abundant when recanting the history of the creation of this unparalleled institution. In his book *La victoire de Luther. Essai sur l'Union économique et monétaire (Luther's victory. Essay on the economic and monetary union)*, Pascal Morand thus indicates that « *the Economic and Monetary Union could not have come to light without the will of Heads of State, at the forefront of whom François Mitterrand, Helmut Kohl and Jacques Delors*» (p. 13). The usual list of "builders of the Euro" would not be complete without various contributors (Morand, 2001; Quatremer, Klau, 1999), such as prominent theoreticians, often Anglo-Saxons (like the Canadian Robert Mundell, inventor of the "optimal monetary zones"<sup>11</sup>), pro-European senior state officials (such as the Italian Tommaso Padoa-Schioppa<sup>12</sup>, who coordinated in 1987 a report on monetary unification mandated by the European Commission), and a set of central bankers (Hans Tietmeyer of course<sup>13</sup>), ministers of finance gathered within the ECOFIN council, etc.

The paradoxes and the unresolved issues of the young history of the single currency are well-known<sup>14</sup>: low macroeconomic performances of the Eurozone, at least according to usual criteria (GDP growth), no clarification of the responsibilities between federal level and national levels, no change of the constitutional framework in spite of numerous attested defaults, lagged responses with respect to the conjunctural evolutions as in July 2008...

In this chapter, the analysis will focus on the Governing Council of the ECB<sup>15</sup>. Composed of the six members of the Executive board appointed in the European council and of the governors of the national central banks (17 governors in 2011) members of the Eurozone, from each national space, appointed by the national political authorities, the Council fulfils an essential function, as a place of consensual elaboration of the monetary policy (Issing, 2008). Its internal deliberations, which are not made public, lead to essential decisions and to a single strategy carried collectively by all the members of the Council.

Studying such a Council does not go without saying. Without "direct" observation data on the stands taken by members (for example on the internal position-takings on key-decisions during the financial crisis), one is thus led to conduct a more "external" analysis, combining biographical information, public statements, expressions (even limited) of divergences or disagreements (it is a particular kind "sovietology", which developed in the world of finance).

The study of the characteristics of the members of the Governing council is nevertheless a useful key to open the "black box" of the operations of the Council and of the management of European monetary policy. The observers of the policies of the European Central Bank are not mistaken about that: they

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<sup>10</sup> See text box 2.

<sup>11</sup> Once awarded a "prize by the Central bank of Sweden in memory of Alfred Nobel", Robert Mundell is a theoretician of monetary economics, close to the American Republicans.

<sup>12</sup> The latter epitomises the European careers within the world of central bankers and constitutes one of the strong links between the ECB and the European Commission.

<sup>13</sup> Holding a PhD in theology, Hans Tietmeyer, the former chairman of the Bundesbank, is also one of the doctrinaires of the social market economy and of the "neoliberalism" ("ordoliberalism" in Germany), as it ought to be understood in the original meaning of the word. Cf. Denord, 2007.

<sup>14</sup> K. Dyson, *op. cit.*

<sup>15</sup> Several recent analyses develop a socio-political study of the first years of the ECB, cf. Dyson, 2008; Dyson, Marcussen, 2009.

regularly produce more or less detailed comments on various biographical data collected on members of the councils<sup>16</sup>. They regularly try to characterise their position-takings, in particular on scales of monetary orthodoxy (with the "hawks / doves" opposition), which enables them to better understand the possible disagreements on rate movements or any other issue of monetary policy or of financial stability.

On the basis of a synthesis of biographical data relative to the central bankers (in Europe and in the world), our idea is here to understand the way the single currency is controlled by a small group of European central actors in a wider process of redefinition of national and transnational "elites"<sup>15</sup>. Coming back here successively to the different types of legitimacy existing within this Council, and to their effects, will thus enable us to discuss the specificity and, to a greater extent, the characteristics (especially of the relation to the Europe and to "Europeanization", durable or temporary<sup>17</sup>) of the new European monetary "elite". If, to many respects, the properties of the members of the Council are helpful in order to understand properly the foundation of the belief in their "independence", a value which is quite central, they simultaneously reveal a double dependence: much closer by their characteristics to the managers of the Fed than one often thinks, the "guardians of the Euro" are also "servants" of Europe, which they associate with a particular conception of economic liberalism.

#### **Text box 1: The data**

The data used in this chapter essentially come from our database BANQCENT, created in 1999 and regularly enriched since then, comprising the leaders (presidents, chairmen, governors, deputy-governors, members of monetary policy councils) of all the leading bodies of central banks in the world in the years 1990-2000. It currently includes about 600 profiles of managers. As regards the executives, the following types of information are collected: birth year; nationality, diplomas; professional career; cursus abroad; notorious doctrinal profile...

Data relative to the central banks (year of creation, type of property, indicators of independence...), to the countries (population, GDP per capita, etc.), to the monetary policies, are also present in this database. The database is currently extended with any type of relevant information: social origin, remuneration, etc.

The sources of this biographic information are multiple: *Who's who in central banking*, *Newsmakers: Central Bankers in the news*, Websites of the central banks, biographical directories on line (such as the "China vitae" for Chinese elites), newspapers, etc. The information is gradually controlled and completed.

### **Complementary and competing legitimacies**

The universe of central bankers is characterised by the coexistence of several forms of legitimacy, which are both complementary and competing: a form linked to monetary expertise as it is deployed within a central bank (with monetary policy properly speaking on one side and the various functions of supervision on the other side, conjunctural macroeconomic expertise, financial expertise, etc.); a form of knowledgeable legitimacy; one which is financial properly speaking; finally, with a political legitimacy and a bureaucratic legitimacy. How do these diverse forms of legitimacy combine within the ECB?

The creation of the ECB, of federal essence, adds to this plurality another type which is linked to the diversity of the nations involved in the organisation. As in the United States, where the monetary policy committee (the *Federal*

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<sup>16</sup> See «Newsmakers - Central Bankers in the news » prepared by Central Banking Publications Ltd, which supplies almost day by day quite precious indications on current occupational and personal affairs of the actors of the "central banking" in the world.

<sup>17</sup> Cf. the introduction and the chapter of D. Georgakakis in this book.

*Open Market Committee*) brings together "governors" appointed at the federal level and five presidents of district banks (some of which "on a rotational basis"), the "intra-regional" diversity is represented in the functioning of the Council. It is even more so in the case of the ECB, since the relation between national banks and the federal level (the Executive Board) is, at least quantitatively, more favourable to the former.

Whereas the ECB was born out of a Franco-German political agreement which crystallised in the Maastricht treaty, every country has brought to the united construction its "tradition" and its national "habits" in economic and monetary matters. The so-called "club Med" countries (to repeat the stigmatising designation sometimes used in Germany and in the North of Europe), or the "PIIGS" (Portugal, Ireland, Italy, Greece, Spain), are described as opposed to the protestant northern countries, supposedly less "laxist" on the monetary and budgetary planes, whereas France relentlessly, spurred on by Jean-Claude Trichet, endeavoured to access the second "virtuous" group; the "ex-communist" Eastern countries, which started to enter the ECB with Slovenia (2007), then with Slovakia (2009), appear as "newcomers" from a system which quickly switched from planned economy to market economy. These major oppositions do not sum up the complexity of the processes at play in the representation of the national "interests" within the councils: the level of prices strongly varies according to the countries; their budgetary situations are quite diverse and tensions worsened ceaselessly in this respect since 2010; their economic and financial infrastructures remain quite different. The tripartition North / South / East still reflects three economic and social "models", which currently coexist within the ECB and, to a greater extent, the European Union, whether they belong to the Eurozone or not.

#### A SOCIAL "ELITE"

The "sociological profile" of the Euro-central bankers corresponds to the eminent political and economic status that its promoters fixed to the monetary project, which supposedly enabled the Euro to compete with the dollar in the world monetary field: older, more masculine (in a globally very little feminised universe<sup>18</sup>), with more diplomas, relatively more "experienced", the Euro-central bankers form a kind of "elite" within the world of central banking.

A first comparison, more specific, with the profiles of the central bankers of the countries of the European Union which are not (or not yet) members of the Euro zone, to which Iceland, Norway and Sweden were added, shows a set of systematic variations summed up in table 1.

The 32 governors of the 17 national central banks since 1999 have been older, in average, than their counterparts of the other banks. They have been slightly more masculine and more often held PhDs. The proportion of legal studies is slightly higher among the central bankers of the Eurozone, but it is significantly smaller than that of studies in economics (apart from *management*), which are quite overwhelming in both cases. The deviations with respect to the studies abroad are clear: the former are more frequent for the European countries situated outside the Eurozone, and they concern the United States in particular.

There is hence a particular profile of the Euro-central bankers within the European space, which links them more strongly to national trajectories: persistence of the legal (or legal-administrative) studies, and relatively small opening up to the higher education systems outside their country. At the heart of this "model", we find France, with the predominance of the National School of Administration (where J.-C. Trichet and C. Noyer graduated), which reflects fairly well the persistence of a peculiarity of the training of national

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<sup>18</sup> This has recently become a public stake with the opposition of the European Parliament to the total masculinization of the Governing Council, opposition supported by the Spanish government.

elites<sup>19</sup>, in the face of the increasing assertion of courses in "Anglo-Saxon based" economics, which can be perceived even within the ECB. Said assertion is marked in the other European central banks, with more than one third of the leaders trained at least partially in the United States.

**Table 1 - The governors of the Eurozone and the other European governors**

Governors between 1999 and 2011	Governors of NCB of the Euro zone (n=32)	Members of the Executive board (n=12)	Other Europe (n=104)
Born in 1950 and later	28.1	33.3	61.2
Women	0	16.7	6.9
Doctorate (Ph.D., JD)	59.4	81.8	58.3
Legal studies	18.8	8.3	5.3
Economic sciences	59.4	91.2	73.7
% Studies abroad	28.1	50	30.8
% Studies in the United States	9.4	33.3	23.7

The types of career of the Euro-central bankers diverge from those of other European central bankers. They have tended to exert their activity in more than one sector. When considering the "dominant aspect" of their professional career, that is to say the sector where the major part of their career took place (measured in number of years, at least as it can be determined from the available biographical data), the Euro-governors are more numerous to have mainly practiced within the central bank, or in the economic and financial administration (ministry of economics and finance, public financial institutions...). Conversely, they less frequently originated from the political field and from universities<sup>20</sup>.

Conversely, their low involvement in the space of European institutions is a salient feature, which differentiates the central bankers from the actors of the Commission (the general managers and deputy general managers in particular; cf. Georgakakis, de Lassalle, 2007b): too young an institution to have produced its own elite, the bank of Frankfurt is not a simple appendage of the Brussels institutions either.

**Table 2 - Dominant sector of the career**

Governors between 1999 and 2009	Governors of NCB of the Eurozone (n=32)	Members of the Executive board (n=12)	Other Europe (n=104)
« Internal »	31.2	33.3	19.5
University	18.8	25	24.4
Politics	6.2	8.3	9.8

<sup>19</sup> This has recently changed a bit with the openness to the Polytechnique-ENSAE more econometric bureaucratic training, through the appointment of Benoît Coeuré at the Governing Council.

<sup>20</sup> When considering the spells, even relatively short, in a professional sector, the Euro-bankers continue to be more numerous to have worked in the different sectors, except for politics. The academic careers (even parallel to another activity) are also frequent in both sub-populations.

Bank and finance	15.6	8.3	17.1
Private sector, others	3.1	0	2.4
Economic and financial administration	12.5	25	14.6
Other administration	12.5	0	12.2

The dynamics of the enlargement process, which affects a supranational institution only partially covering the countries of the Union, then corresponds, at least tendentially, to an evolution of the characteristics of the governors of the National Central Banks towards those of the other European governors: rejuvenation, growing sway of the Anglo-Saxon model, especially through the curricula in the United States, weight of political trajectories.

The arrival of governors from central and eastern European countries with particular biographical characteristics is illustrated by the Slovenian governor's, who integrated the Eurozone in 2007. Born in 1940, Marco Kranjec holds a PhD in economics obtained in the faculty of Ljubljana where he worked as an assistant in public finance and where he is still teaching. He has been a researcher in economics in an expertise institute for a number of years. He also practised as a macroeconomist at the OECD between 1976 and 1978, then at the World Bank in Washington between 1984 and 1986. He became minister of finance in the Republic of Slovenia in 1990 and 1991; he has fulfilled functions inside the central bank (as a member of the Council and deputy-governor) then as an ambassador of the Republic of Slovenia in Brussels. Typical of the "elites of the post-socialists transition" directed to the European Union, Kranjec has redeployed his academic and expertise capital in the new political space, whereas the central bank perfectly suited his highly academic profile.

The prominence of the small countries within the Council in the context of the enlargement is at the origin of a complex reform which enables to establish a weighting system, while maintaining the general principle "one man one voice" within the Council (Issing, 2008): this method consists in the rotation of voters, which applies as soon as 16 governors of national central banks are part of the Council, which has been the case since January 2009. Since the same year, the international tensions within the Council have gained in visibility, especially around the "non-conventional" policies affecting the national economies with mixed fortunes.

#### THE MEMBERS OF THE EXECUTIVE BOARD, « AN ELITE WITHIN THE ELITE »?

The sub-population of the NCB governors since 1999, on which the preceding comparison is based, is only a sub-set of those of the members of the Governing Council of the ECB, to which should be added, indeed, the members of the Executive Board, the key executive structure of the ECB. As permanent staff members of the ECB in the sense that they exert their activity in Frankfurt, prepare and implement the policies decided collegially by the Governing Council, the former embody the "internal" control on the orientations of the ECB and the heart of the "technical" and "scientific" legitimacy necessary to the functioning of such an institution. Originated predominantly from the "major countries" (France, Germany, Italy and Spain permanently have had a member of the executive board since 1999 until very recently), they are also public figures "recognised" for their stature at the international level.

As indicated by Otmar Issing, « its members [of the executive board] - contrary to the governors of the national central banks - are appointed in the Council of the EU, comprising the heads of State and of government, and are exclusively in charge of the "European" functions. Besides, the success [of the creation of the Euro] largely depended on the national central banks and their organisational structures accepting that the ECB and the executive board

should play such role. The prerequisite indispensable for that was that the "head office" should be recognised for its adequate professional competence (Issing, 2008: 132). One of the members of the executive board is thus led at the beginning of each meeting of the Council to give an account of the economic, monetary and financial situation, by relying on the data of the "orange book", and to fuel the discussion of the Council with the latest conjunctural information so as to emerge with a "consensus", before being aired to the public by all the members of the Council.

The members of the executive board have particular characteristics, which turn them into an "elite within the elite". They are far more numerous to hold a PhD (81.8%), a cursus in economics, more frequently after an international cursus, in particular in the United States. They are also younger and more often come from the academic world. Incarnations of a legitimacy of Anglo-Saxon origin, the members of the executive board are also often described as the supporters of the official doctrine and the "European" anchor of the central bank.

The case of Otmar Issing illustrates this status. A professor of economics in Würzburg, he became a member of the Council of the Bundesbank in 1990. In 1998, he was appointed *chief economist* of the BCE and a member of its executive board, an office he retained until 2006 when he was replaced by the German Jürgen Stark. « A living symbol of the successful transition of the national currencies to the Euro », Jean-Claude Trichet put it thus in his own words, « the intellectual force behind the first decade of the ECB » to repeat the expression coined by Mervyn King<sup>21</sup>, Issing is especially the economist who promoted the doctrine at the heart of the bank's strategy until today, so-called "two-pillar strategy", i.e. with a monetary pillar and an economic pillar. He rejected different options as the mechanical application of a rule of monetary policy (like the "rule of Taylor", linking the key interest rates with the inflation and product deviations), inflation targeting (ongoing in the Reserve Bank of New-Zealand and in the Bank of England), or monetary targeting to the benefit of a combination of monetary dogma riveted to the "primary objective" (price stability) and of statistical pragmatism, careful about the difficulties of measuring monetary magnitudes and to the variability of contexts. Confronted with severe criticisms from European macroeconomists and conjuncture economists, Issing thought he had overcome the doubts of the sceptics: « on the basis of that strategy, the Governing Council of the ECB should be capable of pursue a monetary policy, which even the most reluctant had to consider successful » (Issing, 2008: 118). Otmar Issing finally considers that the Governing Council "made the first monetary decisions at the right time" (Issing, 2008: 149).

## Logic and dynamics of stances

For several years, several economists drew attention on the necessity of interpreting the decisions of the central banks by relying on the knowledge of the functioning of the committee within which they are formed, and hence starting from the individual stances of their members (in the wake in particular of Alan Binder, Blinder, 2004). The committees would be a guarantee of efficiency in comparison with the decisions made by a single individual, whether he is a governor or a minister of finance.

To understand the differences between the policies of two central banks, their different social compositions, and not only their "objectives" and their legal frameworks, which may be substantially different should, indeed be taken into account (whereas the differences in "mandate" are nevertheless limited, even between the Fed and the ECB, insofar as price stability is in both cases the main objective). How can the specificities of the monetary policy of the ECB be construed at world level? The singularity of the policy and of the stances of the ECB is, first of all, associated with the individual features that

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<sup>21</sup> Cf. the quotations reproduced on the back cover of his plea pro domo *The Birth of the euro*.



we have just described. Rich in various species of capital (academic, bureaucratic in the first place), the ECB has established its credibility on a relative orthodoxy, a policy of high key interests and the maintenance of a currency strategy little sensitive to the high value of Euro, finally on adhering strongly to the doctrine of "neoliberal" reforms of the labour market and of the goods and services market, reasserted daily under the expression "structural reforms".

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### **Text box 2: Fed and ECB in the crisis (Bentoglio, Guidoni, 2009)**

« The Fed and the ECB have, in more than one way, made similar decisions, and they have often acted in a coordinate fashion. They have both innovated quite quickly to meet the cash flow needs of the banks. In both cases, the intensification of the crisis in September-October 2008 was a sharp break, it has led to the adoption of non-conventional policies, especially by the extension of the balance sheet of central banks" (Bentoglio, Guidoni, 2009).

In the face of the violence of the crisis on the interbank market in August 2007, the Fed turned towards "credit easing" by using different techniques: injection of cash flow through Open market operations (OMO), reduction of the key interest rate in the first place. Confronted with the failure of these measures, the Fed launched the Term Auction Credit Facility: the idea is to lend to banks while accepting as securities a very wide range of assets and thereby to replace the traditional interbank circuit. New types of interventions have been created to keep up with the spreading crisis. In September-October 2008, the Fed offered far larger amounts of cash flow (cf. chart) and extended its range of accepted securities.

The ECB operated relatively less firmly between August 2007 and September 2008: the interest rates remain high and the injections of cash flow, although significant, are punctual and still limited, while introducing more flexibility. On 8 October 2008, a radical change took place: triggering the reduction of the interest rates and unlimited injection of fixed rate cash flow, then extension of its balance sheet, but in a lesser proportion than the Fed.

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#### ANGLO-SAXON DOMINATION AND EUROPEAN "SPECIFICITY"

The European monetary "elite" is characterised, as seen briefly above, by its inclusion in a space strongly dominated by the Anglo-Saxon world. The national traditions in the monetary field, more "doctrinal" and "practical" than "theoretical", in the first instance the French and the German, seem to carry little weight in the face of a movement bringing the European central bankers closer to their counterparts from the other countries and rather leads to the formation of a leading integrated transnational group, under American domination, to which the function of ensuring the stability of the world monetary and financial system is devolved and within which the European space exhibits a rather limited autonomy.

The comparison between the members of the Governing Council of the ECB since 1999 (i.e. 44 individuals) and an equivalent number of members of the Federal Open Market Committee enables the better to grasp to what extent the European monetary elite looks like (or not) a "model", which becomes increasingly important at transnational level.

To conduct this comparison in a more "global" framework, we have added the members of the Political council of the Bank of Japan as well as those of the Monetary policy committee of China for which the information was available<sup>22</sup>. Incarnations of specific monetary strategies, both these central banks also enable to perceive the existence of a global field of the monetary

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<sup>22</sup> China Vitae. <http://www.chinavitae.com/> This online biographical source provides information on 4,000 individuals with leading positions in China.

policies which does not boil down to the exchange rate policies and to the accumulation of currency reserves (according to the current descriptions of the "international financial imbalances").

**Table 3 - Social composition indicators of the different monetary policy councils (period 1999-2009)**

	Governing Council - ECB	Federal Open Market Committee - Fed	Political council - Bank of Japan	Monetary policy committee - Popular bank of China
% Born in 1950 and later	29.5	35.7	19.1	54.5
% Women				
% PhD	63.6	76.2	28.6	33.3
% Legal studies	15.9	9.5	19.1	6.1
% Economic sciences studies	68.2	76.2	57.1	54.6
% Management-finance studies	9.1	14.3	14.3	12.1
% Studies abroad	34	4.8	42.9	24.2
% Studies in the United States	15.9	100	38.1	18.2

The data reveal the relative proximity between the ECB and the Fed, especially when compared with both Asian banks: high proportion of doctors, strong predominance of studies in economics. However, the specificity of the ECB springs to mind more sharply here : relative weight of the legal studies, low prominence of studies in management, very low feminisation, relatively higher age, high proportion of studies abroad (in the United States and in Great-Britain). The "pilots" of the single currency hence exhibit certain specific "secondary" features, at least as regards their social and academic trajectories. The same goes with professional careers. As in the Fed, the mainly or partially internal careers in the European central Bank are important, which constitutes a legitimacy indicator exclusive to the bank properly speaking and undoubtedly a factor of monetary orthodoxy or conformism. The careers in the administration (financial or other) are also numerous in the ECB, backing up the hypothesis of a strong "technocratic" anchor thereof. By comparison, only the Chinese central bank outperforms, by far, the other banks on this plane: the members of the Chinese Monetary policy committee present in the database have, indeed, quite often spent their careers within the Chinese State in non-financial sectors, whereas the interpenetration between the State, the Party and the public companies is strong. The academic careers are prominent within the ECB, as incidentally in the Bank of Japan. Finally, the careers in the bank and the private sector are less frequent within the ECB than within the Fed. The latter is closely linked to the private sector, and in particular to the financial sector, than the other central banks, anyway when considering the dominant sector of the career. These trends are confirmed when taking into account the jobs they had throughout their careers, except that the ECB is characterised by a stronger propension to sectorial diversification.

**Table 4 - Dominant aspect of the career**

	Governing Council - ECB	Federal Open Market Committee - Fed	Political council - Bank of Japan	Monetary policy committee - Popular bank of China
« Internal »	31.8	33.3	19.1	27.3
Bank and finance	13.6	19.1	14.3	6.1
Private sector, others	2.3	14.3	28.6	0
Financial administration	15.9	14.3	4.8	12.1
Administration, other sectors	9.1	4.8	9.5	24.2
Politics	6.8	0	0	9.1
University	20.5	14.3	23.8	21.2

#### HAWKS AGAINST DOVES?

How are position-takings produced within the Governing council of the ECB? What is the respective role of national origins, of social and academic trajectories in the "ideological", "doctrinal" or "theoretical", more or less "orthodoxical" (*hawks vs doves*) orientations of its members, in particular as regards monetary and budgetary subjects? What is at stake is important to understand the way the collective strategy of the central banks is forged, which results from an internal deliberation in the case of the ECB.

One of the main sources commonly used to ascertain the degree of monetary orthodoxy lies in the "minutes" of the councils and the voting report, which provide precise and valuable pieces of information on the position-takings and the votes of the members. Unfortunately, this source is not accessible in the case of the ECB and we are hence reduced to rely on the various public statements of certain members, during particularly hefty debates, to sketch hypotheses about their "orientations", which can incidentally vary with time (with an originally *hawkish* orientation mutating into a *dovish* orientation or vice-versa). It is thus that the ECB-Watchers, like the Buba-Watchers before them, - but also like certain specialists of the Fed, of the BoJ and even of the Chinese popular bank -, regularly establish degrees of orthodoxy or delineate classifications as "hawk" and "dove" (with sometimes intermediate positions). It is easy for the members of the central banks to dispute the simplifying character of such encodings as regards their monetary policy orientations, failing any more detailed information, it remains that these indications enable entering the "black box" of central banks councils a little further, in particular of the Governing Council of the ECB.

According to the encoding we used for 32 individuals of the ECB and of the Fed, the former includes a smaller number of notorious "hawks" over the period 1999-2009 and even a smaller number of declared "doves". These categories are by definition quite relative and the comparison between two central banks raises difficult problems, inasmuch as the contexts of the stances may wildly differ.

The main notorious "hawks" of the Governing Council are members of its executive board: Otmar Issing then Jürgen Stark, Wim Duisenberg, Jean-Claude Trichet (who was the governor of NCBs before he became the chairman of the ECB). But such is also the case of some of the most notorious "doves" (currently) such as Jose-Manuel Gonzales-Paramo or Lorenzo Bini Smaghi. Belonging to the executive board or to the NCBs is undoubtedly but a very partially explanatory cleavage of sensitivity to inflation or to the "dangers" of the public debt. Globally, it should be noted that, in the data in our possession, the most notorious "hawks" have a tendency to be recruited especially among the holders of doctorates in economic sciences: a dogmatic *habitus*, skillfully illustrated by Otmar Issing, seems to be associated with that kind of doctrinal bias clouding the judgement of certain theoreticians, impregnated with the monetarist vision of economics, for whom the real

world must first and foremost resemble the ideal theoretical pattern of a frictionless market economy where the neutral central bank only supplies private agents with the money necessary to the smooth working of economy, while maintaining the stability of the system and securing its reliability. In France, it is rather trajectories inside the aristocracy of top public service which seems associated with this type of posture. This however covers postures which are perhaps less dogmatic as regards economic theories, but nevertheless relatively rigid in terms of politico-economical *ethos*, as illustrated by the little flexible doctrine of someone like Jean-Claude Trichet.

The other factor which might condition the monetary political orientations is the national tradition: the Bundesbank, the Bank of the Netherlands, the National Bank of Austria have had very "monetarist" doctrines, in particular in the years 1970-1990, and the former, as a socialisation framework, most certainly weigh on the arrangements of their leaders and of their former officials. Certain national macroeconomic trajectories, such as those of France and Italy, reveal a greater historical tolerance to deficits and to public debt, if not an "inflationary" bias. It is nevertheless difficult to infer therefrom one way or the other a differentiated sensitivity of their current leaders, because the mediations in this regard are so numerous. Conversely, the constantly different macroeconomic contexts within the Eurozone weigh obviously on the governors of the national central banks (which are the representatives of the diverse conjunctures within the bank) and probably on the members of the executive board as well. The balance of power between doves and hawks then appears to be moving and relatively uncertain.

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### **Text box 3: The denial of the inter-individual differences**

When talking about the ECB, the words "hawks" and "doves" are heard increasingly often. You, yourself belong to the doves, whereas Trichet and Weber, the number one of the Bundesbank and a former German statesman, guide the hawks. Is it a correct characterisation?

- No, the division between hawks and doves is hardly meaningful for those who take part in the internal debates and make the decisions. Of course, everyone has his own way of thinking and assessing the underlying developments of economics. But at the end of the day, the decisions are made with a wide consensus, including the latest increase in interest rates (interview in *Il Giornale*).

An interview with Lorenzo Bini Smaghi, a member of the Executive Board of the European Central Bank published on 9 December 2005 and conducted by Angelo Allegri (*Il Giornale*). By Angelo Allegri, our correspondent in Frankfurt).

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## **Conclusion**

This multi-level approach based on the inter-individual diversity and articulating it with the macroeconomic and "macrosocial" level, enables more refined analyses, often sketchy and biased by the choice of simplified indicators, which seek to conclude definitely as to the existence of two different monetary strategies on the ECB side and on the Fed side.

To a greater extent, it enables to try and open the black box of institutions which appear at first view opaque and complex, while reminding that the former have their own social logics, largely dependent on the properties of their members. This type of analysis can be extended to the study of the governments, which are also institutions formed by individuals with

differentiated social features, piloting instances of international institutions and any other organisation with a leverage on economy.

In this case, the differentiated space of the European central bankers is hence only homogeneous in appearance or observed at distance. Prosopographical investigation and paying attention to the position-takings of the agents reveal clusters forming a sub-space which is both quite specific and structured according to principles which can be found more widely over the whole field of eurocracy.