

# Martin Summer

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# Introductory Remarks

Ladies and Gentlemen,  
Welcome to our 3<sup>rd</sup> session on Central Banking and Macroeconomic Theory. In this session we will discuss the interaction between the practice and theory of monetary policy. There are two main reasons, why we want to address this interaction in this conference:

First, central banking is one of the areas of economics where the interaction between academic research and policy has been particularly intense. The foundation of inflation targeting, the case for low inflation, and the case for rules rather than discretion are all ideas that have been very much shaped by this interaction. It is therefore interesting to hear from a perspective of macroeconomic theory, what issues with respect to the central bank mandate are of central concern to academics.

Second, the theoretical foundations, which should guide central banks in their policies, have been extensively criticized since the crisis. It has been argued that with respect to financial stability practitioners of monetary policy have been poorly supported by theorists of monetary policy. While there is some truth in this criticism as far as the literature of a few years ago is concerned this is certainly less valid with respect to current academic developments. The question of the fundamental macroeconomic role of the financial sector as well as issues of potential trade-offs between price stability and financial stability has come back into the centre of the academic debate. This debate certainly has also implications with respect to the mandate of central banks.

I am very happy that we could attract two experts who have studied these issues deeply and have acquired broad experience in both the theory and the practice of monetary policy. Let me briefly introduce both of them:

*Xavier Ragot* is an associate professor of economics at the Paris School of Economics. His main fields of research are monetary economics, macroeconomics and finance and the macroeconomics of incomplete markets. Xavier Ragot is a graduate of the École Polytechnique and holds a Ph. D. in economics. He was also a post-doc at MIT. After his studies he became a researcher at the Centre National de la Recherche Scientifique (CNRS). He held several advisory positions at various institutions in the private and public sector before joining the faculty at the Paris School of Economics. He has published widely mainly in the field of macroeconomics and finance and has been active in economic policy debates and



as an economic advisor. He is a member of the French National Committee for the Evaluation of Science, CNRS; since 2009 he has been Co-director of the Macroeconomic program of the CEPREMAP. He also was a member of the scientific council of the Fondation Banque de France pour la Recherche en Économie Monétaire Financière et Bancaire from 2008 to 2011. Since 2011, he has also been a Member of the Board of the Fondation Banque de France pour la Recherche en Économie Monétaire Financière et Bancaire.

*Athanasios Orphanides* is currently at MIT Sloan School of Management. He served as Governor of the Central Bank of Cyprus between 2007 and 2012 and he was also a member of the Governing Council of the European Central Bank between 2008 and 2012.

Prior to his appointment as Governor, he served as Senior Adviser at the Board of Governors of the Federal Reserve System in the USA, where he started his professional career as an economist in 1999. While working at the Federal Reserve he taught undergraduate and graduate courses in macroeconomics and monetary economics

at Georgetown University, Johns Hopkins University and the Kiel Institute for World Economics and the Center of Financial Studies at Goethe University Frankfurt. He holds undergraduate degrees in mathematics and economics as well as a Ph. D in economics from the Massachusetts Institute of Technology. He is well known for his research on the evaluation and design of monetary policy, and his critical analysis of the measurement of the output gap. He also contributed significantly to the literature on inflation expectations as well as to the problem of monetary policy near the zero lower bound.