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South African Reserve Bank

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Position

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Title of paper

Rethinking global finance: the changing role of central banks in emerging economies

Biographical details/achievements

Professor Erik Berglof is the inaugural Director of the Institute of Global Affairs (IGA) at the London School of Economics and Political Science (LSE). The IGA, its global policy lab and eight constituent centres bring together LSE faculty and students from across departments to design research-based and locally rooted solutions to global challenges.

Prior to joining the LSE, Professor Berglof was the Chief Economist and Special Adviser to the President of the European Bank for Reconstruction and Development (EBRD). Previously, he was Director of the Stockholm Institute of Transition Economics (SITE) and Professor at the Stockholm School of Economics. He was Assistant Professor at Universite Libre de Bruxelles and has held visiting positions at Harvard, Stanford and the Massachusetts Institute of Technology (MIT). He has also served as Special Adviser to the Prime Minister of Sweden.

Currently, he is also a non-resident Senior Fellow at the Brookings Institution in Washington DC, Treasurer of the International Economic Association, Member of the World Economic Forum Global Future Council on the Future of Financial and Monetary Systems, Board Member and Research Fellow of the European Corporate Governance Institute in Brussels, and Board Member of the New Economic School in Moscow. In 2013 he was awarded the Leontief Medal for his contributions to economic reforms.

Abstract of paper

The role of central banks in advanced economies has changed dramatically in the wake of the global financial crisis, but central banks in emerging economies have also been affected. Whether by design or by default, they are asked to take on new tasks or respond to new challenges, often stemming from policies in advanced economies. The role of emerging economy central banks is changing as monetary policy in more and more countries is moving towards inflation targeting. In many economies central banks, as islands of high-quality human capital and meritocracy often disciplined by international agreements, have become agents of broader structural transformation. Are we asking too much from central banks and could it backfire? Is there a risk that central banks could be (re)captured by special interests given their accumulating powers? Will central banks manage to maintain hard-fought independence with the expanded mandate and what will happen to the rest of the political system if they do? What could be done to strengthen their capacity to deliver on the appropriate tasks?