It is well-nigh indisputable that the present time is far from easy for central banks and their governors. Not only must they do their work under more difficult circumstances but they are also subject to a degree of public and political interest which does nothing to ease their burden, let alone make it pleasurable.

My intention in this talk is to discuss this subject against a background of nearly fifteen years' experience as president of the Netherlands Bank and of a similar period as president of that remarkable institution, the Bank for International Settlements at Basle.

But first allow me to give you some details of my career before I entered central banking; as you will see, this may be useful for a proper understanding of some of the points I wish to make.

After completing my university studies, I was appointed in 1948 as professor of economics at the Free University of Amsterdam. During my studies I had observed that the academic world in general had little sympathy for central banks. Even now, this is often the case. I could give colourful examples of what I mean, but shall refrain from doing so, not wishing to damage the reputation of the persons concerned. However I cannot possibly resist the temptation to give one example. It is from a recent interview with Professor Galbraith. 'The people who man the central banks are nice men, and in our case one woman; well spoken, well tailored and of good personal hygiene. I would be kind to them and keep them in business in a minor way, but I would not for a moment rely on them. One of the mysteries of monetary policy in the U.S. has always been how one becomes an expert in it. You can have a man in high political position in Washington, who has difficulty balan-
cing his checkbook and keeping within his family budget. But one day the President appoints him to the Federal Reserve Board and all of a sudden he is a monetary wizard. That is a form of magic that I have long admired.

Well, I don't want to be too harsh on those people, but I certainly don't want to rely on them for the management of anything so complex as the modern economy.'

To some extent the tension that exists between economics in an academic context and the actual policy pursued by the central bank is natural and understandable. After all, on the one hand we have the builders of abstract models who are not confronted daily with real problems, and on the other hand we have those persons whose over-full diaries sometimes prevent them from reflecting on the fundamental relationships which could provide solutions to some problems in the longer term. I have had experience of both these worlds. In retrospect I am somewhat amazed at the carefree way in which the young professor of yore told his students how central banks should behave. In my present position I have been surprised several times by the unworl'dly suggestions which are occasionally directed at central banks by academics.

In 1952 I became a member of the Dutch Cabinet: first as Minister of Economic Affairs, and later, until 1963, as Minister of Finance. In this latter function I naturally learned much about the Central Bank. There are specific areas of friction between the Minister of Finance and the president of the Central Bank which are not the result of theory versus practice, but are a consequence of the division of powers between the monetary authorities; these powers are vested in part in the Ministry of Finance and in part in the Central Bank. I am assuming now that the Central Bank is to a certain extent independent of the government, whether de jure or de facto (or both). By this I mean that it has its own powers either based on statute or on the authority it has in the eyes of the public. It is clear and also inevitable that differences of opinion will arise from time to time which may lead to open conflicts and which have in practice also done so. In saying this I am not thinking of The Netherlands because in that country such a situation has not yet occurred. As Minister of Finance I realized at an early stage that my office would benefit most by achieving the best possible relationship with the Central Bank, with full recognition of its powers and authority. After all, the finance minister is badgered from all sides by the ministers of the spending departments, who will always conspire to spend more money than is justified by a sound financial policy. In this struggle he is inevitably alone and consequently

1 De Haagsche Post, p. 28, August 15th, 1981; interviewer was Maarten Huygen.