

THE SWISS NATIONAL BANK'S ROLE IN FOSTERING FINANCIAL STABILITY

Financial stability is a key prerequisite for both the successful implementation of monetary policy and the smooth functioning of the economy as a whole. As many other central banks, the Swiss National Bank (SNB) is therefore not only mandated to conduct monetary policy in accordance with the general interests of the country, but also to contribute to the stability of the financial system. In pursuing the goal of financial stability, the focus of the SNB is on the banking system and on the financial market infrastructure, which encompasses, in particular, payment and securities settlement systems.

There are various reasons why financial stability has become an increasingly important issue on the agenda of central banks over the last few decades. On the one hand, numerous banking and other financial crises during the 1990s in Latin America and South East Asia, but also in

Sweden, Finland, Norway and Japan, have once again highlighted the substantial costs incurred by disruptions in the financial sector. In Japan, for instance, fiscal costs resulting from the prolonged banking crisis in the 1990s amount to 20% of annual GDP. Yet what may be even more important than fiscal outlays are the costs in terms of a loss in economic growth, which has been estimated at 28% of GDP in the case of Japan. On the other hand, technical progress and other developments have led to an increasingly complex financial infrastructure which is highly beneficial to the economy yet also very vulnerable, as was demonstrated by the terrorist attacks of 11 September 2001, for example.

Even so, the undisputed benefits of a stable financial sector alone do not necessarily require oversight or any kind of intervention by the central bank. If we look at the example of payment and



Prof. Dr. Niklaus Blattner

securities settlement systems, it is obvious that every system operator has clear incentives to offer reliable and resilient services to the financial community. Nonetheless, there exist externalities in the sense that costly investments to increase the safety of these systems have to be borne by their operators or users, while the benefit of a stable system - at least in the case of core payment or settlement systems - is shared by the whole financial sector. For this reason,

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INTERVIEW WITH JEAN-CHARLES ROCHET



Professor Rochet, you are about to finish work on a new book about banking crises.

What characterizes a banking crisis, and how prevalent are such crises?

It is often argued that banks are more fragile than other firms. But if you look at the frequency of bank failures over time and across countries, you see that banks do not fail more often than other institutions. However, bank failures have a specific fea-

ture: they are clustered. For a long period of time, one observes almost no bank failure in a country, but then suddenly, a large number of them. This is a bank crisis.

A very interesting study by the IMF shows that, in the last 25 years of the 20th century, after a period of relative stability, almost all countries experienced either a generalized banking crisis or at least big banking problems. Banking crises occurred in developing countries, for example in Latin America and East Asia, but also in developed countries. Think for example of the huge Savings and Loans

Crisis in the US, the bail-out of Crédit Lyonnais in France, or the problems in Scandinavia and Japan. And then, of course, there are the well-known banking crises in emerging countries like Russia, Poland, etc.

What triggers banking crises?

You see various kinds of patterns. The trigger can be a fundamental shock, for example a real estate crisis as in Japan where house prices decreased tremendously in the eighties. This hurt financial institutions that had lent to homebuyers, using the value of houses or flats as collateral. In

editorial

The most dramatic financial crises in recent years happened in emerging markets. However, the issue of financial stability has attracted a growing attention by central banks all over the world. This includes the Swiss National Bank (SNB). In the lead article, Professor Niklaus Blattner, Vice-Chairman of the SNB Governing Board and Chairman of our Foundation Council, and Dr. Michael Manz describe the role of SNB with respect to financial stability in Switzerland. Banking crises and financial stability are also the topic of an interview by Professor Jean-Charles Rochet, Toulouse University, France, who is preparing a book on the issue. He gives his views on various aspects of regulation, including Basel II. I hope you will enjoy reading these fascinating and instructive contributions.

This newsletter also provides information about our recent central bankers' courses that include a course on banking supervision and regulation. Furthermore, the new selection procedure for our one-year doctoral program is presented. The increased demand for doctoral education in economics is a positive development, but it leads to more competition to enter our program.

Prof. Philippe Bacchetta
Director

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many central banks have been mandated with the task of representing the public interest in stable financial systems. In addition, the SNB itself also has an immediate interest in the smooth functioning of the financial market infrastructure because it needs sound banks as trading partners and reliable payment and settlement systems to implement its monetary policy by means of daily money market operations.

In order to contribute to the stability of the financial system, the SNB envisages both precautionary and reactive measures. Research staff in the financial stability unit continuously analyse recent developments and potential imbalances in the Swiss banking system. The current assessment of the state of the financial sector is published in the SNB's annual Financial Stability Report. Even though in Switzerland, the central bank is not responsible for supervising banks, it cooperates closely with the Swiss Federal Banking Commission and provides regular support on statistical matters.

In the wake of a crisis, a particularly essential role of the central bank is to maintain the provision of liquidity. Aggregate liquidity can be increased by means of open market operations. After the terrorist attacks of 11 September 2001, for example, the Federal Reserve provided over USD 320 billion in funding to banks in order to prevent them from defaulting on their obligations and triggering a widespread solvency crisis. Yet in addition, the central bank as a lender of last resort (LoLR) might also provide liquidity to individual banks. Since granting emergency credits to individual institutions is a delicate issue and might give

rise to imprudent bank behaviour, many central bankers prefer not to be explicit about their LoLR policy, which is known as a policy of "constructive ambiguity" in the literature. Even so, if central bankers remain silent on their LoLR policy, bank managers and other agents in financial markets may, and will, nonetheless form their own and perhaps undesirable expectations.

Thus, the SNB decided to adopt a "constructive clarity" approach by explicitly accepting its role as a LoLR and by making its lending policy as transparent as possible. In order to be granted an emergency credit, the applicant has to be a solvent bank which, in addition, must be systemically important. In particular, banks need to be able to provide sufficient collateral - including a haircut which is defined in advance. The SNB issues no blanket guarantees. By communicating these conditions in advance, the SNB intends to remove potentially fatal expectations and to facilitate the preparations that are required to prevent a severe liquidity crisis.

According to the revised National Bank Act, which entered into force on 1 May 2004, the SNB is also obliged to oversee payment and securities settlement systems, which is a new task of the central bank in Switzerland. Those systems that are considered to be important for the financial sector as a whole have to satisfy a number of minimum requirements which are based on international standards. Compliance with these requirements will be regularly reviewed from this year on. One particularly important payment system is the Swiss Interbank Clearing System (SIC). As the major system designed to

execute interbank payments in Swiss francs, the SIC transacts payment volumes of more than 270 billion Swiss francs or more than half the annual Swiss GDP on a peak day, and it is part of the interlinked Swiss trading, settlement and payment infrastructure (Swiss value chain). Hence, one can easily imagine that the failure of such a system could trigger or transmit shocks that impair the stability of the whole financial system.

To conclude, some qualifying remarks are in order. It is well known that government measures, such as overseeing the financial market infrastructure, inevitably involve the risk of undermining market discipline and bringing about moral hazard type behaviour. Therefore, the SNB tries to limit the scope of moral hazard by ensuring transparency, by acting cautiously and by cooperating closely with the private sector wherever possible. Moreover, it is also important to bear in mind that the SNB does not, and cannot, claim responsibility for the functioning of every credit card system or ATM in the country. From the SNB's point of view, any function that can be easily replaced in times of crisis is not deemed systemically important and can be left to the free market without necessitating the involvement of the central bank.

Prof. Dr. Niklaus Blattner,
Vice-Chairman of the SNB
Governing Board and Chairman
of our Foundation Council

Dr. Michael Manz, Economist
at the Swiss National Bank

INTERVIEW from cover

other cases, purely speculative events trigger a crisis. One example is Turkey in 2001. Turkey was doing relatively well until the press disclosed some disagreement between the Prime Minister and the President. It ended in a banking crisis.

What happens after the initial shock; how do crises evolve?

Interestingly, crisis patterns show some similarities across countries, and they depend a lot on the response by authorities - the sooner they react, the better. The cost of a crisis is much higher if one waits and refuses to acknowledge the facts as happened during the Savings and Loans Crisis for all kinds of political reasons. A large number of so-called "Zombie-Savings and Loans" continued to operate although they were technically dead. These banks took huge risks - they "gambled for resurrection" - because of the tiny possibility that such gambling would help them to recover, and because additional losses were shouldered by the taxpayer. The fundamental lesson therefore is that we need to react immediately, even if this is tough because politicians and the general public complain. US economists have phrased this insight as the need for "prompt corrective action".

And this is what happened for example during the last crisis in Uruguay. I visited the Central Bank of Uruguay last December and was lucky to talk to the people who managed the crisis two years before. First of all, Uruguay had done nothing wrong. But many Argentinean investors had deposited their money in Uruguay. When Argentina was hit by the famous crisis, the last of a series of episodes, Argentinean investors withdrew their money from Uruguayan banks. As a result, the Uruguayan banks were in

deep trouble. The Banking Commission, that had been granted independence from the Central Bank, had the good idea to react immediately. It decided to close a number of large banks, in spite of strong opposition by politicians and the press. As a result, Uruguay recovered soon.

Why should governments be concerned about bank failures in the first place rather than treating a bank like any other company and accepting the risk of bank failure as a natural feature of market economies?

This is a very good question. First of all, nobody says that bank failures should be eliminated. Bank failures are part of economic life, like failure of any other company. In a sort of Darwinian mechanism, bad banks disappear and capital is channelled into good projects. This is perfectly normal.

But it is a peculiarity of banks, insurance companies, and some other financial intermediaries that their customers are also their creditors. Regulation therefore has some aspect of consumer protection - you want to protect consumers against bad quality banks, and you want people to trust the safety of their banks. This was not the case during the few, extremely unstable episodes of "free banking eras" when banks were free to do what they wanted.

The situation is similar with drug companies. Rather than requiring approvals for new drugs, one could let the public decide which drugs are good or bad. But such a decision takes time and is difficult. It is therefore better to let a government agency decide which drugs should not be allowed to be commercialized. I see banking regulation, or more precisely, the part of it called micro-prudential regulation, as a way to protect

consumers. For consumers - i.e. depositors - are not able to assess the safety of banks.

New Zealand a few years ago introduced the notion of "freedom with publicity": Banks are free to do what they want with the money of their depositors as long as they publicize the accounting documents, balance sheets and income statements and so on. Customers of a bank can go to the branch and see for themselves whether the balance sheet is safe. I do not think that this concept is applicable to other countries because New Zealand free-rides on the regulation of the Australian authorities. All the banks active in New Zealand are Australian banks, so they are controlled by somebody else.

There is a second dimension, the macroeconomic one. After a big shock, for example a recession, a crash on an asset market, or a sudden stop in foreign investment in the case of developing countries, all banks are hit at the same time. My view is that during such a systemic crisis, a second type of intervention is needed. This is much more difficult to organize than the first type of intervention which can be delegated to an independent regulatory body, like a Financial Service Authority, responsible for the integrity of financial institutions in general (not only banks, but also insurance companies and stock exchange intermediaries).

All this does not mean that banks should not be allowed to fail. Bank problems rather should be detected as early as possible and bad banks should be closed before it is too late. Normally, firm closure - bankruptcy - is a decision made by a court, where the creditors complain that they do not get their money. In the banking sector, in contrast, common bankruptcy

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INTERVIEW



law should not apply because banks should be closed before they are technically insolvent. Moreover, the government should have some say in the closure decision, but not full control. This means that it is really tricky to design a proper bankruptcy law for the banking sector and to insure some degree of government involvement but not too much.

Many countries sustain deposit-insurance schemes. Should governments also insure the shareholders of banks?

They should not, because if you insure shareholders then they will typically take too much risk. But I am afraid that governments sometimes do insure shareholders, for example in Finland during the last banking crisis. Finland and Norway were both hit by big shocks during the eighties. Norway, when the oil price decreased. Finland, when its major trading partner, the Soviet Union collapsed. The management of the subsequent banking crises was very different in Norway and Finland although both countries decided to nationalize a large fraction of the banking sector. But in Finland, the initial shareholders were not expropriated fully and the managers were most of the time kept in place. In Norway, the managers were expelled and the shareholders expropriated. The banks were reorganized and then sold back to the private sector. The former shareholders of the banks complained, claiming to have been illegally expropriated because the banks had not been closed. But fortunately, the decision of the court was in favour of the government.

Should governments insure depositors? There is the issue of protection of small depositors.

Small depositors are not able to assess the safety of the bank, but they have to put their money in some bank. At the same time, they have the possibility to withdraw money very easily. If they fear that some problems may occur, they simply change banks. Without protection of depositors in the form of guarantees that small deposits will be insured, banks would be very unstable and in some cases depositors would lose a lot of money. I believe, and I think it is now commonly accepted although some people are still against it, that deposit insurance is good for small deposits, for retail deposits. But for large deposits, of course, it is a bad thing. Large deposits are held by professional investors, and these investors should be able to assess the safety of banks on their own.

Is managerial control more difficult for bank owners than for owners of other companies?

Probably so, the reason being that bank assets are typically opaque. In contrast to other firms, it is extremely difficult to assess the value of banks' assets, for example portfolios of loans.

What is the role of a bank? To collect deposits and to invest deposits in small and medium size enterprises, those enterprises that do not have access to financial markets. By construction, outsiders do not possess accurate information about these firms, otherwise the firms could access markets. Precisely by the mere activity of lending to small and medium size enterprises, the value of bank assets is difficult to assess and so managerial control is more difficult.

What are the macroeconomic implications of bank failure?

We have to distinguish between individual bank failures and systemic crises. Individual bank failures do not have a huge impact on the macro-economy as long as the bank is not too big. But they have an impact on creditors because informational capital is lost when a bank is closed. After a bank fails, many firms in the region have problems because they must find another partner for credit lines. For this reason, many people recommend to essentially expropriate shareholders and keep the bank running rather than closing it. This gives incentives to shareholders to do their jobs and at the same time does not waste informational capital contained in the bank's structure. Empirical estimates suggest, however, that informational capital is not that important.

In my view, the more important aspect of bank failures has to do with systemic risk. A macro shock affects a large number of banks, and this creates problems for the payment system and financial markets and depresses credit activity.

You mentioned already some aspects of government supervision and regulation of financial institutions. How well do regulatory frameworks address the fundamental problems discussed before?

First of all, governments typically intervene too often in the banking sector. They often control money, credit, and even financial activities. Without entering into complicated political economy considerations, it is clear that in many countries the banking elite is associated with the political elite. This makes it extremely difficult to cut the link between the government and the banking sector.

But on the other hand, free banking is not a solution either. We need some form of intervention, but not too much.

There are several elements of reform. I claim that one crucial element is the notion of "level playing field", the idea that if you want to have international competition working you need to have approximately the same kind of institution in all countries for banking regulation. This idea was at the source of the first Basel Accord. It emphasizes the importance of standards, of a uniform approach to banking regulation. If one country is protective while other countries are in favour of laissez faire, then competition will suffer. Or suppose there is a big crisis at the supranational level, for example because an internationally active bank is in trouble: Who is going to react, the home country or the country where the customers are hit? This is a very complex issue. I think we have to converge to some kind of harmonisation, and this is a good opportunity to break the link between the banking authorities and the governments.

What are the advantages of delegating the regulation of banks to an independent authority, similar to the delegation of monetary policy to an independent central bank?

In both cases, delegation solves a similar problem: Not regulatory capture of governments by the industry (although this can happen) but rather, more fundamentally, time inconsistency of government intervention. Ex ante governments want to be tough, in order to induce banks to invest prudently. But ex post, policy makers minimize their trouble by bailing out insolvent banks. To overcome this fundamental time inconsistency



This edited interview was conducted by Dirk Niepelt

problem, to prevent excessive government intervention ex post, I recommend some form of independence and accountability of banking authorities, very much like has been done for monetary policy.

But the situation is more complicated. One reason is that one can have a very simple agenda or very simple criteria, for example the level of inflation, for the delegation of monetary policy. For the management of banking crises, in contrast, it is extremely difficult ex ante to define objective functions. If you consider the constitution of the UK's Financial Service Authority, for example, it has a certain number of mandates, but in my view those mandates are written in a very abstract fashion, there is no precise action to be undertaken in case of crisis... I believe that we need to think about how to define precise objectives.

There is a second issue: How much information should be disclosed to the market or to the people in general? There is clearly a value of relative secrecy. You do not want to give too much information immediately because it could be disruptive. But this does not mean that ex post authorities cannot be made accountable for their decisions. Even if you do not want to explain immediately a decision to close or bail out a bank, ex post, after three to five years, you have to be able to explain exactly the reasons. This rules out the notion of constructive ambiguity, according to which some randomness in the decision of banking authorities might usefully discipline the banks. I believe that such constructive ambiguity is a very bad idea because accountability is impossible if you randomize.

Why do regulators, for example in the context of the Basle Accords, require banks to be sufficiently capitalized? And what are the central features of "Basle II"?

The management of a failing bank should be removed and the shareholders expropriated before the capital of a bank is fully destroyed. But the bank should typically continue to operate.

The reason is related to the notion of prompt corrective action. As I said, the government or regulators in general have the tendency to intervene too often, in particular when banks are in good shape. On the other hand, they have the tendency to do nothing when the bank is in trouble. They rather wait and hope that the bank will recover, maybe because if the bank fails the regulator or supervisor might be held partly responsible for that.

In my view, rather than defining very complex regulations that will never be applied in practice because they are too complicated, the approach should be to have a very simple regulatory tool, for example a very simple capital adequacy rule with some degree of progressiveness in intervention. This is what the Americans have put in place after the reform of their Federal Deposit Insurance Corporation, in a very important decision by Congress after the Savings and Loans Crises. They decided to reform in depth the banking regulatory system. And they decided to have a notion of progressiveness, based on a very simple index, for example a simple capital ratio. If a bank's capital ratio falls below a certain level, say 8 percent, then the regulators start to look closer at what is going on. And if the

situation nevertheless deteriorates, then the regulators take more active decisions, intervene more directly, forbid certain actions and the distribution of dividends, or force the shareholders to remove the managers. And if even this is not sufficient, then the regulators close the bank or sell it to another bank and expropriate the shareholders. Applying such a strategy of prompt corrective action renders more complicated tools unnecessary. And crucially, a strategy of prompt corrective action allows regulators to efficiently allocate their resources. Regulators should not scrutinize banks in much detail as long as those banks are doing well. They should rather scrutinize the banks in trouble, especially if they are big. With such a notion of gradual intervention, regulators have to start intervening before it is too late.

Regarding your second question, let me first remind you of Basel I. Basel I in 1988 was a big revolution in banking regulation because for the first time it established a common standard for large internationally active banks in the G10 countries. It was precisely the notion of level playing field that triggered this reform. It was a big, big improvement. But the capital ratio that was put in place by Basel I was too simple. It was based only on credit risk, not taking the differences between firms, governments, countries, or sovereigns into account. As a result it was extremely crude and lead to so-called regulatory arbitrage-i.e. banks complying with the rules in the letter but not in spirit.

In response to many complaints about the simplicity of the rules, the Basel Committee developed over almost 15 years a very complex machinery. I recom-

mend to have a look at the formulas for the new ratio, they are totally incomprehensible, and my view is that nobody will ever implement them.

While this pillar of the new Basel agreement is just one out of three, it is much bigger than the others. The description of the first pillar in the documents published by the Basel Committee takes several hundred pages; the description of the two other pillars, regulatory intervention and market discipline, takes maybe ten or fifteen pages. I believe this is a big mistake. What is the purpose of a very complex tool if each country applies it in a different way? I believe a safe regulatory system needs three pillars of equal size.

The objective must again be to have a level playing field. I therefore support a simple rule, a little more complex than the initial (Cooke)-ratio, but certainly not as complex as the new (McDonough)-ratios. It is not the role of a regulator to tell the bank what to do. This is a business decision. The regulator should not care as long as a bank is very profitable and well capitalized. It should only check that the bank is not manipulating the accounts or cheating its customers. Only if problems start to arise, then the regulator should intervene; in fact it should be put in the law that regulators have to intervene before it is too late. For that reason, a harmonization of all three rather than just the first pillar is needed. In particular, one has to explain how regulatory intervention is triggered, and what market discipline - a buzzword of the regulatory community - means in practice.

Professor Rochet, thank you very much for this interview!

CENTRAL BANKERS COURSES

Globalization in the classroom

For more than fifteen years, the Study Center Gerzensee has organized courses for central bankers around the world. More than 150 central banks have sent economists to our courses. A typical course has about 25 participants, typically from all continents. The variety of experiences and perspectives is extraordinary; it leads to fascinating discussions and very rewarding exchanges.

Over the years, central banking seems to have become more similar in the various countries. Fifteen years ago, numerous central banks in less developed countries were using direct instruments of monetary policy, they faced underdeveloped financial markets, and they had little independence; some banks were part of a communist regime. This has changed dramatically. Today, most central banks use indirect instruments, they face better-developed financial markets, and they are more

independent. A set of common concerns has emerged, including for example the issue of financial stability. At the same time, a consensus on best practices concerning a wide range of issues has started to emerge.

This trend towards globalization in central banking can also be observed in the classroom. Despite their diverse backgrounds and views, the participants in our courses increasingly worry about similar issues. Moreover, their expertise and training is better, rendering discussions more interesting and useful to participants. It also makes it easier to organize courses that are well targeted to central bankers' needs. Overall, it is therefore fair to say that in this case, globalization only has benefits.

Courses 2005

In the first part of 2005, we have offered three courses. In February, we organized a two-week course on Advanced Topics in Empirical Finance, targeted to central bank researchers interested in financial markets. Since the course requires a formal

background in mathematics and statistics, most participants had a Ph.D. The main topics covered were: the information content of asset prices; extreme value theory; the microstructure of financial markets; and empirical aspects of financial stability. The course was taught by Professors Michael Rockinger (University of Lausanne), Casper de Vries (Erasmus University, Rotterdam), and Thierry Foucault (HEC School of Management, Paris).

In April, we offered a three-week course on Monetary Theory and Monetary Policy, reviewing modern monetary theory, empirical techniques and policy implications. Professor Harris Dellas (University of Bern) and Gerzensee faculty Philippe Bacchetta, Philipp Harms, and Dirk Niepelt taught in this course. Our teaching assistants played an important role in teaching empirical applications and advising participants.

The third course, on Banking Regulation and Supervision, was offered in May-June. The course is designed for central bankers in charge of banking supervision. It contained lectures covering analytical tools in basic finance and risk management or issues in banking regulation as well as case studies and discussions. As the lead article in this newsletter shows, the issue of financial stability is of prime importance to central banks. Participants were thus eager to better understand fragility in the banking sector. The main teachers for the course were Professors Anthony Saunders (New York University) and

Xavier Freixas (University Pompeu Fabra, Barcelona). Guest speakers from the Swiss National Bank, the Swiss Banking Commission, BIS, and private banks complemented the program.



Anthony Saunders



Prof. Dr. Niklaus Blattner, Dirk Niepelt (behind), and CBC participants

DOCTORAL COURSES

Our doctoral courses continue to be in strong demand. This is particularly true for our basic one-year program, the Swiss program for beginning doctoral students in economics. In 2005, we are organizing this program for the 11th time. A record number of students applied, proving once more that students value the high quality of the courses and the stimulating environment at the Study Center. The course evaluations provided by the students always give very high marks to the internationally renowned faculty teaching in the program. For 2005, the faculty is the same as last year. Microeconomics is taught by Mathias Dewatripont, John H. Moore, Klaus Schmidt, and Jean-Charles Rochet; Macroeconomics by Jordi Galí, Robert G. King, and Sergio T. Rebelo and Econometrics by Bo E. Honoré and Mark W. Watson. Moreover, we now offer a four-day course covering basic mathematical tools for economists at the beginning of the program. This course is taught by Dirk Niepelt and Pinar Yesin, both faculty members at the Study Center.



Robert G. King



John H. Moore



A new selection procedure

Given that demand exceeds the number of available slots, we need to select the students who can attend our program. The selection for the basic program is particularly important, because it is likely to influence doctoral studies of many students based in Switzerland. So far, acceptance decisions were mainly based on recommendations by representatives at the Swiss universities. To render the process fairer and more transparent, the council of representatives of

Swiss universities at the Study Center Gerzensee decided at its last meeting to adopt a new selection procedure, similar to the one used in numerous PhD programs throughout the world. Starting with the application process for the 2006 program (applications due on November 11, 2005), we will require students to provide a complete application package (see <http://www.szgerzensee.ch/doctoral.htm> for detailed information). This will include GRE scores. Students should therefore start preparing their application early on. For the selection, the focus will be on previous academic achievements of the applicants, existing written work, recommendation letters, and the quantitative and analytical parts of the GRE. We do not expect that the new selection procedure will have drastic implications for the type of students accepted in the program.



Representatives at Swiss universities

In the past year, we have seen several changes in the faculty members who are our contact persons at Swiss academic institutions. We thank the departing people for their collaboration and welcome the new representatives. The representatives as of spring 2005 are:

Prof. L. Bretschger
ETH Zürich

Prof. S. Djajic
IUHEI Genève

Prof. P. Kugler
Universität Basel

Prof. H. Dellas
Universität Bern

Prof. Th. Madiès
Université de Fribourg

Prof. M. Büttler
Universität St. Gallen

Prof. Ch. Ewerhart
Universität Zürich

Prof. Y. Flueckiger
Université de Genève

Prof. J. Imbs
Université de Lausanne

Prof. M. Zarin-Nejadan
Université de Neuchâtel

Prof. R. Maggi
Università della Svizzera Italiana

STAFF NEWS



Judith Urfer replaced Brigitte Hirschi-Durtschi as administrative assistant for our doctoral programs. We welcome her in this key position and wish all the best to Brigitte Hirschi-Durtschi. We are delighted to report that one of our faculty members, **Pinar Yesin**, gave birth to a beautiful baby last March. She has been on maternity leave and will be back to the Study Center in August. We also welcome a new assistant, **Tobias Menz**, who joined the institute last February. He is currently attending our one-year doctoral program in economics.

WIRELESS LAN

Since the beginning of June 2005, the Study Center is pleased to offer its guests a free wireless high-speed access to the Internet in the "Schlossgut" area (hotel, cafeteria, aula, dining room, etc.). Username and password to use the wireless LAN with your private notebook or pocket PC can be obtained at the front desk. Internet access from the hotel rooms via ISDN or analog modem is still possible as before.



NEW COMPUTER ROOM

In early 2005 we moved our computer room across the road, just above our cafeteria. This new location gives more space, increased safety, and a better learning environment.



PUBLICATION

Conference on "Behavioral Macroeconomics"

In June 2005, the *Journal of Monetary Economics* published the papers of a research conference sponsored by the Swiss National Bank and the Study Center Gerzensee that was held in Gerzensee on October 11 - 12, 2002. This research conference brought together academic and central bank economists from around the world in order to discuss issues of major importance for monetary policy.



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