

It might seem an unlikely proposition, but central banking has become exciting. This is not necessarily a welcome development. Decisions taken by the leading monetary authorities since the 2008-2009 global financial crisis have been unorthodox, creative, and at times risky. Their high-stakes choices today will affect the global economy for decades to come.

Moreover, central bankers have become more vocal in expressing strongly held positions in the mass media, as if seeking to win over popular opinion. It is a potent and dangerous mix. In this environment, sober, informed voices, like that of the Bank for International Settlements, the central bank of central banks, should also be given a fair hearing. Unfortunately, many central bankers have sought to marginalize the BIS rather than engage with it.

One of the most contentious debates has been over when to end the “unconventional” monetary-policy measures that were introduced in the aftermath of the financial crisis to ensure that banks continued to lend, thereby stimulating growth and averting deflation. Some central bankers now worry that ending these measures prematurely will tip the economy back into recession.

Yet others fear that the current strategy, though originally intended to prevent an economic collapse, is now sowing the seeds of future instability, including the emergence of another asset-price bubble. In their efforts to resolve such dilemmas, policymakers are also wrestling over whether to focus on traditional monetary tools such as interest rates, or make greater use of so-called “macro-prudential measures,” such as capital add-ons and buffers or adjustments to banks’ loan-to-value ratios.

At the heart of the debate – currently being conducted within leading economies’ treasuries and central banks, as well as in supranational bodies such as the International Monetary Fund and the BIS – is the relationship between monetary policy and financial

stability. The BIS, for example, has suggested that financial stability is closely connected with monetary policy, and has advised policymakers to start weaning their economies off of easy money sooner rather than later. Central bankers, however, seem to want to try macro-prudential tools first (and sometimes exclusively).

It is unusual to witness a clash of views among monetary policymakers that is so radical and clear-cut that it has grabbed wider political and media attention. And, under the public spotlight, some central bankers have sought to downplay the BIS's assessment, arguing that it is all too easy to issue far-reaching policy recommendations when one suffers none of the consequences should one's prescription turn out to be wrong.

To be sure, a country's domestic economic circumstances, and the tools available to policymakers, should guide policy. And, though monetary tightening may well be advisable in some economies, it might be inappropriate in others.

But the harsh reactions to the BIS's analysis seem misplaced and unfair. It is always difficult to find the right monetary-policy stance for any given economy at a given moment. Central banks employ an army of experts to try to get it right, and other institutions are seldom so well resourced to present equally sophisticated counter-arguments. The BIS, however, is one of the few organizations that not only has the necessary research and analytical capabilities, but also a track record of making good calls. One should not forget – as many central bankers appear to have done – that the BIS was one of the first to warn of the dangers of financial excesses, several years before the 2008 crisis.

The BIS has a right to be heard. It exists not just to represent central banks, but also to offer ideas and intellectual feedback. Indeed, it serves policymakers well by challenging, debating, and

perhaps swaying opinion. Rather than bash the BIS, monetary authorities should be grateful for the informed perspectives that it provides.