

## **Ardian Fullani: The importance of economic research**

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the workshop “Economic research in South-Eastern Europe”, Tirana, 15 November 2007.

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Dear ladies and gentlemen!

It is a great pleasure to be here today and open the proceedings of the workshop “Economic research in Southeast Europe“. First, allow me to express my thanks to the representatives from the respective central banks for their participation in this workshop and all the other guests present today. Let us hope that this workshop will serve as a catalyst for a more intensified exchange of experiences among our region in the field of economic research. This process is of special importance with a view to improving the standards of economic research and for enhancing our know-how in this area.

Undoubtedly, timely and accurate economic research is vital for undertaking more sound economic policies for boosting a stable and non-inflationary growth and for coping with various risks under a dynamic and rapid integration of our economies.

From a central bank’s viewpoint, economic research should aim at reaching an optimal balance between the significance to the monetary policy or financial stability, their quality and timely availability. When compared to the academic economic research, a central bank’s economic research should manifest the same quality, but be positioned on assisting the monetary policy decision-making process. Otherwise, their added value is overwhelmingly reduced. The role of research in the monetary policy decision-making process becomes even more important under the inflation targeting regime that the Bank of Albania will fully adopt in the near future. Economic literature defines inflation targeting framework, inter alia, as “comprehensive and multi-dimensional information, analyses and statistics”.

As in many central banks which adopt the inflation targeting regime, the Bank of Albania has oriented its resources for economic research, mainly to understanding the process of inflation and of its forecasting, and to understanding the transmission mechanism of monetary policy. The building of a macroeconomic model for the Albanian economy is of special importance to the economic research of the Bank of Albania. Moreover, issues related to the real, foreign, financial and the fiscal sectors, as well as other issues related to the improvement of economic statistics are in focus.

Undoubtedly, the constant improvement of economic research, of their ethics, quality and significance to monetary policy should be of high priority. The Bank of Albania is conscious of the fact that research in the abovementioned areas should be further consolidated.

Dear friends!

Allow me to state my opinion that from the strategic point of view the consolidation of research requires the improvement of economic data, the enhancement of cooperation between the public administration institutions and the academia, as well as between various countries, and the absorption and increase of human capacities in this area. Following my speech I would like to briefly explore these three issues.

Economic research uses the economic data as its core input. Consequently, the availability and quality of economic data represent a key factor to the development of timely and accurate economic research, to the maximisation of benefiting from them, as well as to the minimization of wrong decision-making and the costs it carries over. Unfortunately, the availability and quality of these data cannot be labelled as satisfactory. In addition to problems of collecting and calculating the statistical basis, the data base is related to and influenced by the speed and various stages of the development of the Albanian economy and by the changes of policies promoted by the taking place of these stages. The Bank of

Albania has continuously and will constantly call on the improvement of economic data. In this context, today's workshop places special emphasis on the discussion of the estimations and approximation of some economic time series for some important economic indicators, as well as on their role in the development, ethics and the quality of research of empirical nature.

Economic research is essential for a wide range of areas. Hence, no institution can and less can a small central bank cope by itself with all the needs for economic research. Quite contrary, the institutions need to identify the areas and issues of economic research where they possess certain comparative advantages and then, closely cooperate with each other. In this context, the cooperation between the institutions of public administration and the academia, the cooperation between different countries and the establishment of research nets on various areas are of prime importance. They would not only enhance the efficiency in carrying out the research, but also stimulate the professional critique and opposition and reach higher standards.

The research mission described above, clear and well-defined within the framework of a central bank should not be understood as an isolate mission. The studies can not take place in a closed environment. They need debate and exchange of ideas with the academy, business and other interested stakeholders. In this regard, it is my pleasure to state that the Bank of Albania has made its research subject to reviews in activities organized particularly for this purpose (inflation targeting, round tables, Friday workshops, etc). I invite you to do the same thing even during this activity. In view of debate and discussion, we have made constant efforts to attract academy and intellectuals in the discussion of our works. The Bank of Albania has introduced the "series of Friday seminars", as an infrastructure to promote this debate. Twice a month this forum invites the interested persons within and outside the Bank of Albania to discuss their research on topics of economic nature. The activity is as much open for home and foreign researchers from the academy and business as it is open for the Bank of Albania employees. In this point, I should emphasize that we expect and encourage more interest by home and foreign academics for this series of seminars. I invite the academy and all the researchers to consider this invitation as a repeated one and become more and more active in discussing the strategies and development of economic policies.

The Bank of Albania is entirely open and invites all the stakeholders to boost this cooperation. Today's workshop represents in itself a concrete example of interest for cooperation between the parties and of our aim to boost it further. Moreover, distinguished personalities from the finance and the academia have been present in various lectures, workshops or conferences. I am personally involved in this open discussion through a cycle of lectures held in the Albanian universities and in eminent and prestigious European universities.

Young economists who represent the future and a key basis of human capacities should be also encouraged to do economic research. We aim at establishing a culture of research and of a supportive structure with new elements that do have not only the desire but also the necessary knowledge to study the economic phenomenon. To this purpose, the Bank of Albania organizes annually the Governor's Award for the Best Diploma, which encourages the students of economics to carry out economic research, mainly focused on the areas of a central bank's activity.

In conclusion, I encourage you to consider the benefits deriving from the useful critics and recommendations during this workshop. I also hope that your participation in this workshop results useful, in terms of exchanging the know-how on various issues and in particular, on the ethics and econometrical techniques.

It is with pleasure that I declare this workshop open and I invite you to deepen our knowledge!

Thank you!