

# The Educational Competence of Economic Policymakers in the EU

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## Abstract

This article compares the 'competence' of the principal economic policymakers in 27 European Union (EU) member states with those in other advanced economies. Following earlier work on 'specialists' in government, we consider whether prime ministers, finance ministers and central bank governors have an education in economics or a related field like business. We find that EU prime and finance ministers are more likely to have legal than economics training, which distinguishes them from their OECD peers. Among the most recent accession countries, economic policymakers were better trained prior to accession than after it. Eurozone economic policymakers have essentially the same overall level of education as their EU peers outside the eurozone, but eurozone prime ministers, in particular, are much less likely to have advanced economics training. Among the exceptions are countries experiencing a high frequency of financial crises. In these cases the level of economics training is comparatively high. We speculate that these countries have little choice but to appoint policymakers who, at least in terms of background, appear to be 'competent'.

## Policy Implications

- Educational backgrounds of Europe's economic policymakers vary considerably.
- These differences may translate into policy differences.

While there are countless volumes of biographies of individuals, there has been little systematic study of the personal characteristics of economic leaders. One exception is the work by Blondel (1985), who presents a systematic global survey of government ministers from 1945 to 1980, including their occupational background. He discusses differences between 'amateurs' and 'specialists', with specialization indicated by ministerial appointments to posts that correspond with their prior training. Others have considered the backgrounds of political leaders (Besley and Reynal-Querol, 2011; Dreher et al., 2009; Goemans et al., 2009) and of central bankers (for example, Göhlmann and Vaubel, 2007). There is also a body of literature on the traits of top managers in the private sector (for example, Kaplan et al., 2008). The only work we know of to date that focuses specifically on finance ministers is that of Blondel (1991), although Chwioroth (2007; see also 2010) does consider whether central bankers and finance ministers in developing countries have 'neoliberal' edu-

cational backgrounds. Even then, little attention has been paid to variations in the level of educational attainment and differences in specialization of economic leaders.

In this article we review certain personal characteristics of the principal economic policymakers in European Union (EU) member states, focusing on their educational background. Our sample includes the 27 countries when they were democracies since 1973. To study whether the patterns are EU-specific or found more generally in the advanced market democracies, we also include comparative data from most OECD countries that are not members of the EU. The main goal of the article is descriptive – to map out patterns in education. We also make no claims that certain types of policymaker necessarily lead to better economic policies more generally (for example, Besley et al., 2011; Rogoff, 1985). At the same time, there are patterns that suggest possible causal relationships, which we intend to explore in follow-up research. However, before one can more fully

examine causal mechanisms relating to policy, one must first understand why certain types of people and not others are appointed. We would also prefer to map out our data on a case-by-case basis to examine causality more directly. This article must be more humble and focused on description.

To preview, we find that EU finance ministers are less likely to have training in economics or business than their peers in OECD countries. We also find, however, that 'competence', as assessed by training, is higher among economic policymakers in some eurozone countries like Greece and Portugal that have had financial difficulties (Reinhart and Rogoff, 2009). Our assumption is that countries that face severe economic problems have little choice but to appoint policymakers that, at least in terms of their background, appear to be 'competent'.

## 1. European Integration and Economic Competence

There are good reasons to concentrate on the backgrounds of European economic policymakers in particular. First, the responsibilities of the EU more generally are strongly weighted towards economic policy. The EU is especially active in regulation (for example, Majone, 1996) but it is responsible for additional economic policies as well. It negotiates exclusively trade treaties. Internally, capital, labor, services and goods can mostly circulate freely because of EU statutes and their enforcement through the European Commission and rulings from the European Court of Justice. Member states have coordinated exchange rate policies with varying degrees of success since the final collapse of the Bretton Woods system in 1973, culminating in the introduction of the euro in 1999. Economic and finance ministers meet regularly in the Economic and Financial Affairs Council (ECOFIN). Hence, economic competence is relevant not only domestically at the cabinet table but across European governments as well.

In addition, the creation of the euro also diminished the overall importance of the domestic foreign ministries in Europe. Traditionally, the Committee of Permanent Representatives (COREPER), whose members come from the foreign ministries, prepared the Council of Minister meetings. With the advent of the euro, however, the Economic and Financial Committee, composed of representatives from the member state finance ministries, replaced COREPER as the key body that sets the agenda for ECOFIN meetings. Ministers from eurozone countries also meet separately in the Eurogroup. Hence, the Economic and Monetary Union (EMU) has elevated the importance of finance ministers through ECOFIN and now, increasingly, through the Eurogroup. These developments lead to expectations about the level of

competence of European economic policymakers, in particular:

H1: Joining the EU leads to a demand for more competent ministers who can represent a given country before economic policymakers from other countries; the competence level of policymakers should therefore increase with membership.

H2: EMU increases the competence of finance ministers.

In the following section we introduce our dataset, describe selected cross-national patterns and examine some of the data in relation to these expectations.

## 2. EU Policymakers in Comparative Perspective

We have collected data on the backgrounds of the prime minister, finance minister and central bank governor for 38 countries on a monthly basis for the period 1973 to 2010. We include all 27 EU countries as well as 11 non-EU OECD countries, and we use data from countries only when they were democracies. There are two principle ways to examine our data. First, we can analyze individual policymakers, which is particularly useful for studying the circumstances that surrounded their appointment. Alternatively, we can examine the time share in office of individual policymakers. The latter approach can be used to assess the dominance of certain personal characteristics across countries by effectively weighting all individuals by their time in office. Here, we adopt the second approach and compare data according to country-months instead of per leader. This yields a total of about 15,000 country-month observations. We use standard international conventions for classifying our data. Education codes come from the United Nations Educational, Scientific and Cultural Organization (UNESCO, 1997) *International Standard Classification of Education* (ISCED).

To begin with general statistics for education, Table 1 compares EU and non-EU countries. For the sake of brevity and exposition, we refer to the non-EU countries in our sample as the 'OECD countries' in the remainder of the article even though a number of EU countries are also members of the OECD. The first two columns display the percentage of country-months with a given type of economic policymaker whose highest degree is at the graduate (up to a Masters degree) or postgraduate (doctorate or equivalent) level, with any remainder suggesting less than a graduate degree.<sup>1</sup> In aggregate, there is almost no difference between OECD and EU countries. The exception is for central bank governors, with OECD countries having more months (39 versus 30

**Table 1.** Comparison of OECD and EU educational background (% of country-months)

	Graduate	Postgraduate	Graduate, field		Postgraduate, Economics
			Bus./Econ.	Law	
Prime minister					
OECD	62	27	25	17	19
EU	63	29	19	38	19
Finance minister					
OECD	57	35	55	17	55
EU	61	34	37	39	40
Central banker					
OECD	61	39	66	16	81
EU	70	30	63	19	74

Source: Official national government sources including parliamentary archives, finance ministry websites and central bank websites; international institutions including the European Parliament, European Commission, OECD, Club of Rome, European Investment Bank and the UN; biographical encyclopedias, including Munzinger, Britannica and national biographical databases; personal websites of politicians; newspaper reports. This table presents for EU and OECD countries the percentage of country-months when the relevant individual was a college graduate, studied law or business/economics as a primary field, and received a postgraduate degree in economics. On the International Standard Classification of Education (UNESCO, 1997) six-point scale, this corresponds to a '5' equivalent to the first level of tertiary education completed (for example, Masters degree in many European countries) as well as a '6' (for example, PhD).

percent) of an office holder with the equivalent of a doctorate.

The third and fourth columns on the field of study are more interesting. Clearly, there are more country-months with economic policymakers who have a legal rather than an economic background in EU countries. Twice as many EU country-months have a legally trained prime minister (or president). Moreover, finance ministers have a slight edge in law over economics in EU countries. The trend is very different in OECD countries, where the ratio is 55:17. When looking at postgraduate training, the difference between the two samples narrows somewhat. Finance ministers have an advanced degree in either business administration or economics 55 percent of the country-months in OECD countries, but only 40 percent of the time in the EU group. This difference is smaller among the central bankers, although OECD countries remain somewhat more likely to have economists in this role.

We also present tables that break down some of the data by country. Tables 2 and 3 examine the educational background of prime and finance ministers, respectively. For prime ministers, Table 2 indicates that Germany and Finland had the longest time with a prime minister in office with a degree in either the humanities or the social sciences, while Table 3 shows that German finance ministers are most likely to have such degrees. For finance ministers, law backgrounds are most common in Belgium and Luxembourg. If one considers the original members of the EU, or the EU-6, their finance ministers have an economics graduate degree just 22 percent of the time. Of course, it could be that European finance

ministers are more likely to do advanced degrees in economics, which we examine in Table 4. Indeed, our data show that EU-6 finance ministers have a doctoral equivalent in economics in 32 percent of all country months. This is right at the average for all countries in our dataset.

Looking at EU countries, it is noteworthy that Central and East European countries have a larger percentage of time in office by individuals with natural science undergraduate degrees. At the graduate level, 21 percent of the time their finance ministers have an equivalent of a doctorate in economics. There are three countries under joint EU/International Monetary Fund supervision in the summer of 2012, and their backgrounds vary. Greek economic policymakers are some of the best educated in the developed world – prime ministers and finance ministers in this country have advanced degrees 98 percent and 90 percent of the time, respectively. Greek finance ministers have an equivalent of a PhD in economics 58 percent of the time. Portugal is similar – prime ministers have some sort of an advanced degree 81 percent of the time while the equivalent for finance ministers is 94 percent, with that degree being a PhD in economics fully half of the time. In Ireland the proportions of time where the prime minister and finance minister has an advanced degree is 57 percent for both positions, and just 3 percent of the time does the finance minister have an advanced degree in economics.

To have a better sense of EU effects, we examined statistics for the same countries before they joined the Union and afterwards. We separated them according to waves of joining the EU, with Greece, Spain, Portugal,

**Table 2.** Prime ministerial educational background, university degree, 1973–2010 (% of country-months)

	Humanities/ Soc. Science	Economics	Business Admin.	Law	Science/ Maths	Engineering	Other	None
Australia*	33	23	0	56	0	0	0	11
Austria	28	18	36	32	8	0	0	0
Belgium	57	31	0	79	0	0	0	1
Bulgaria	20	33	10	10	21	7	27	0
Canada*	32	13	0	62	0	0	0	0
Chile*	0	0	4	47	0	28	22	0
Cyprus	13	19	0	68	0	0	0	0
Czech Republic	23	31	35	4	3	15	0	0
Denmark	22	23	0	32	0	0	0	23
Estonia	48	6	0	10	32	14	0	0
Finland	115	1	0	2	0	0	4	0
France	51	13	0	36	0	3	11	0
Germany	110	22	0	19	13	0	0	0
Greece	8	33	0	95	0	0	1	0
Hungary	23	58	0	25	0	0	22	0
Iceland*	1	7	5	65	0	18	0	5
Ireland	26	7	48	25	0	0	0	8
Italy	10	8	2	75	0	0	0	10
Japan*	33	20	8	23	8	2	0	5
Latvia	30	30	0	6	60	29	0	0
Lithuania	11	23	4	0	18	50	0	0
Luxembourg	0	0	0	100	0	0	0	0
Malta	0	61	0	92	17	0	0	0
Mexico*	0	28	43	29	0	0	0	0
Netherlands	22	43	21	35	0	0	0	0
New Zealand*	27	3	5	16	0	0	5	46
Norway*	17	30	0	3	0	0	29	22
Poland	27	11	4	18	3	30	0	6
Portugal	13	20	9	20	0	38	0	0
Romania	37	29	0	35	0	28	0	0
Slovakia	3	0	0	55	0	43	0	0
Slovenia	29	71	0	0	10	0	0	0
South Korea*	28	28	16	28	0	0	0	0
Spain	0	0	0	94	0	6	0	0
Sweden	32	25	11	0	0	0	2	54
Switzerland*	11	21	8	50	0	8	5	3
UK	18	0	20	24	30	0	0	8
USA*	58	32	0	0	0	0	11	0
Total	29	20	7	38	5	6	3	7

Note: This table presents the percentage of country-months a country had a prime minister with the given degree. Because some individuals had several degrees, the percentages may add up to more than 100. An asterisk (\*) indicates a non-EU country.

Austria, Finland and Denmark in the early wave and the Central and European countries, Cyprus and Malta in the late wave. There is an increase in competence among the early joiners, with the percentage of time of finance ministers with advanced economic degrees increasing from 24 percent prior to EU membership to 51 percent afterwards. In the latter group, however, the results are reversed – finance ministers had advanced economic degrees 78 percent of the time prior to accession but only 57 percent afterwards. Still, the post-accession average for the late wave countries remains somewhat higher than for the early members.

Table 5 looks at overall levels of education of eurozone leaders. There is no difference when comparing prime ministers and finance ministers. There is, however, a statistically significant difference between eurozone and non-eurozone members of the EU when it comes to policymakers with advanced economics degrees, but it runs counter to our expectation above – eurozone policymakers consistently are *less* likely to have advanced degrees in economics.<sup>2</sup> This is especially striking for prime ministers – just 1 percent of prime ministerial months in eurozone countries have had an office holder with an advanced degree in economics. The trend is also

**Table 3.** Finance ministerial educational background, university degree, 1973–2010 (% of country-months)

	Humanities/ Soc. Science	Economics	Business Admin.	Law	Science/ Maths	Engineering	Other	None	Unknown
Australia*	0	9	19	45	0	0	5	22	0
Austria	0	5	86	11	3	0	11	0	0
Belgium	8	1	1	89	0	0	0	0	5
Bulgaria	0	100	1	0	10	0	0	0	0
Canada*	48	0	17	51	0	0	0	6	2
Chile*	18	0	60	0	0	21	0	0	0
Cyprus	0	50	37	25	0	0	0	0	15
Czech Republic	0	29	25	23	6	18	0	0	0
Denmark	21	38	19	11	0	9	3	0	0
Estonia	11	60	27	0	9	4	6	0	0
Finland	18	3	0	31	0	13	7	23	4
France	9	21	1	59	3	19	0	8	0
Germany	74	39	0	28	1	0	0	0	0
Greece	13	57	0	30	0	13	0	0	0
Hungary	0	63	0	12	0	7	19	0	0
Iceland*	16	23	0	36	5	0	9	11	0
Ireland	7	13	27	35	0	7	0	16	0
Italy	7	21	11	65	0	0	0	7	0
Japan*	8	21	30	41	1	0	0	0	0
Latvia	0	39	3	0	35	24	0	0	33
Lithuania	14	76	20	0	31	5	0	0	2
Luxembourg	0	13	13	87	0	0	0	0	0
Malta	11	11	83	21	0	0	0	0	0
Mexico*	0	100	0	0	0	0	0	0	0
Netherlands	12	71	13	14	0	0	0	0	0
New Zealand*	34	4	18	13	15	0	0	23	0
Norway*	15	26	21	12	0	0	6	20	0
Poland	0	75	24	0	0	1	0	0	0
Portugal	0	66	12	19	0	16	0	0	0
Romania	0	50	40	0	3	5	0	0	10
Slovakia	0	84	0	0	8	29	5	0	0
Slovenia	0	85	0	10	0	0	0	0	10
South Korea*	0	37	11	43	0	0	0	0	18
Spain	0	73	0	51	8	5	0	0	0
Sweden	31	19	8	5	0	0	25	23	0
Switzerland*	16	50	0	3	0	21	0	11	0
UK	60	7	0	34	0	0	0	3	0
USA*	50	35	7	5	0	4	0	0	0
Total	16	34	16	27	3	5	3	6	2

Note: This table presents the percentage of country-months a country had a finance minister with the given degree. Because some individuals had multiple degrees, the percentages may add up to more than 100. An asterisk (\*) indicates a non-EU country.

present, if less dramatic, for finance ministers and central bankers.

### 3. Concluding Remarks

There are clear differences in education levels and the specialization of economic policymakers between EU policymakers and those from other industrialized democracies. EU prime and finance ministers are more likely to have legal than economics training, which distinguishes them from their OECD peers. Among the most recent accession countries, economic policymakers were better

trained prior to accession than after it. Eurozone economic policymakers have essentially the same overall level of education as their EU peers outside the eurozone, but eurozone prime ministers in particular are much less likely to have advanced economics training. Among the exceptions are countries with a high frequency of financial crises – in these cases, the level of economics training is comparatively high. We speculate that these countries have little choice but to appoint policymakers who, at least in terms of background, appear to be ‘competent’. We plan to explore this finding further in follow-up work.

**Table 4.** Finance ministers with PhDs, 1973–2010 (% of country-months)

	Economics	Other	None	Unknown
Chile*	100	0	0	0
Poland	84	0	16	0
Mexico*	83	0	17	0
Hungary	63	6	31	0
Greece	58	0	42	0
Spain	56	35	9	0
Portugal	50	7	43	0
Slovenia	44	0	51	5
Romania	40	25	30	5
Bulgaria	38	0	62	0
South Korea*	37	5	49	9
Netherlands	31	0	69	0
USA*	29	0	71	0
Slovakia	27	0	73	0
New Zealand*	24	0	76	0
Lithuania	23	5	71	1
Austria	21	16	63	0
Switzerland*	18	50	32	0
Estonia	16	0	84	0
Latvia	14	3	66	16
France	12	4	84	0
Cyprus	11	20	61	8
Italy	11	32	57	0
Czech Republic	9	2	89	0
Belgium	8	59	30	2
Luxembourg	8	30	62	0
Sweden	8	29	63	0
Australia*	2	0	98	0
Canada*	0	7	93	0
Denmark	0	0	100	0
Finland	0	8	92	0
Germany	0	55	45	0
Iceland*	0	7	93	0
Ireland	0	0	100	0
Japan*	0	0	100	0
Malta	0	21	79	0
Norway*	0	0	100	0
UK	0	24	76	0
Total	21	13	65	1

Note: This table presents the percentage of country-months a country had a finance minister with a doctoral degree. An asterisk (\*) indicates a non-EU country.

This article focused on describing meaningful differences across countries and time and not on strictly causal relationships. These findings, however, do lead one to wonder whether a lack of economics training among prime ministers and finance ministers has led to decisions in the EU that focus more on legal issues than on economic sense. One should be careful about pushing this speculation too far – ministers sit at the top of ministries with many trained staff. Management skills may in day-to-day affairs be more important than specialized

**Table 5.** EU policymakers' educational levels and advanced economics degrees inside and outside the eurozone, 1973–2010

	Prime minister	Finance minister	Central banker
Non-eurozone	5.17 (26%)	5.25 (42%)	5.27 (75%)
Eurozone	5.19 (1%)	5.24 (35%)	5.39 (69%)

Note: The first number is the average educational level on the International Standard Classification of Education (UNESCO, 1997) six-point scale, in which 5 is equivalent to the first level of tertiary education completed (for example, a Masters degree in many European countries) and 6 the second (for example, a PhD). The number in parentheses is the percent of time that the office holder had an advanced degree in economics.

knowledge. At the same time, in crisis situations where time is short, these differences could have an effect on the decisions leaders take.

## Notes

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1. In many European countries prior to the Bologna process, the first degree one could receive at the university was the rough equivalent of an MA.
2. All t-tests are significant at the  $P < 0.01$  level.

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