

### **Institutional structure of research**

Most research projects are carried out at the Economics Department in the Magyar Nemzeti Bank, although fellow departments often perform specific research tasks as well (banking-related research by the Financial Stability Department, financial studies by the Financial Market Department). There are 33 economists working in the Economics Department, of which 6 belongs to the Research Group. Five colleagues have PhDs (MIT, Northwestern, Maryland, Autònoma Barcelona, Central European University) and one is close to receiving the degree. The Research Group is expected to expand in 2007, with a medium-term target of ten phd researchers. The responsibilities of the Research Group are: (1) to engage in academic and policy oriented research and publish high quality papers in international journals; (2) to provide policy analysis and to support decision-making in the Magyar Nemzeti Bank; and (3) to support research activities carried out in other divisions and departments of the MNB.

### **Selection and conduct of research projects**

Similarly to other central banks and the ECB, we try to find a balance between supply-driven and demand-driven organization of research. Academic projects are proposed by researchers, and, following a discussion, are approved by the management of the Economics Department. At a minimum, one project is included in the yearly research program; typically, researchers have more than one project running simultaneously.

New research projects are initiated with a kick-off meeting and researchers are expected to give an account of their progress regularly in the form of informal presentations. Finalized research papers are presented in a formal seminar, and then appear as MNB Working Papers (in English), after going through a formal refereeing procedure. The working papers are registered at REPEC. The Bank launched a semiannual 'Bulletin' in 2006 containing non-technical summaries of research output as well.

Researcher involvement in applied projects is demand-driven. There is a formal topic selection process at the beginning of each year, which consists of consultations with management of the Economics Department, submission of proposed research topics by analysts, and coordination with other departments of the MNB. Researchers are assigned to approved projects, either as contributors or advisors.

### **Organization and evaluation of research activities**

Researchers should divide their working time for their three main activities as follows: academic research: 50%, applied research: 25%, consultations and policy discussions: 25%. A key contribution of researchers to policymaking is a consultation service, which involves close cooperation in particular projects (as 'mentors'), a leading role in seminar discussions, technical expertise and active participation in policy strategy discussions. There is a regular, annual evaluation of yearly activities in the MNB applied to all employees, aiming to evaluate both the advances in academic and applied research projects and consultation activities. There is a 4-year comprehensive evaluation of research activity as well, which concentrates on academic output, mostly on publications, refereeing and conference presentations.

### **Other research activities**

*Seminars:* The MNB seminar series intends to link academic and central banking research, by presenting ongoing research of the staff to outside researchers on the one hand, and to invite outside speakers on the other.

*Brownbag seminars* provide an opportunity for intensive discussions of preliminary ideas or ongoing projects.

We have organized a number of *international workshops and conferences* with success. Our annual Macroeconomic Policy Research Workshop is already in its fifth year. We intend to organize such events in the future as well.

*Visiting researcher program:* The MNB offers visiting researcher positions to PhD candidates and young researchers. Successful candidates work on a mutually agreed research plan and are integrated with the Research Group.

*MNB internal sabbatical program:* The Research Group offers temporary research positions to other departments.

The *Editorial Board of the MNB Working Paper Series* is led and coordinated by researchers.

The Bank is in the process of inviting *senior research advisors* on a regular basis.

Many researchers are also affiliated with *Central European University*. There is coordination and cooperation in terms of seminars, hiring and research projects.

*International research networks.* Researchers actively participate in the Wage Dynamics Network, the follow-up of the Inflation Persistence Network, the SDGE-subgroup of the Working Group on Econometric Modeling, and the "Macroeconomics of Global Interdependence" CEPR Working Group.

### **Current research topics**

- Microeconomic underpinnings of macro developments: research on labor flows; firm-level investment, productivity and growth; store-level pricing
- Macroeconomics and finance: nominal and real exchange rates, SDGE models, sovereign borrowing