Technocracy Ascendant

Central Banking and Ideology after 2008

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Abstract

Adopting a Gramscian view of the current era as one of organic crisis and intellectual and ideological disorientation among the ruling classes, this thesis explores the changing forms and ideological dimensions of *technocratic economic governance* following the Great Financial Crisis (GFC) of 2007–2009 and into the Covid-19 era. I focus on the major central banks of the capitalist core and pursue two main lines of investigation: (1) theorizing the evolving role and expanding power of central banks within the post-GFC context of organic crisis; and (2) providing case studies of intellectual and ideological disorientation and attempted reorientation in central banking.

The thesis introduction lays out my research problematic and my theoretical and conceptual framework. Chapter 1 critically examines the institutional character and strategic orientations of today's formally independent central banks, building a nuanced reading of these organizations as public–private governors that operate as *power centres* of finance capital. Chapter 2 considers the political-economic terrain in which these power centres of finance capital have intervened since 2007, providing a comparative review of the literature on the proximate and structural causes of the GFC, the related Eurozone Crisis of 2009–2015, and the Covid-19-induced financial panic of March/April 2020. Focusing on the Federal Reserve System (Fed) and the European Central Bank (ECB) as illustrative case studies, chapter 3 traces out the development and implementation of novel forms of emergency liquidity support over this crisis period. Here, I delineate the rise of the 'derisking' (Gabor 2020) central bank and argue that it is a core component of 'authoritarian neoliberalism' as a form of governance.

Chapters 4 and 5 turn to examine how central bankers have responded to the repoliticization of 'the economy' and its management in the decade following the GFC. I develop an original conception of central bankers as *organic intellectuals* of finance capital—technical specialists and political operatives who produce authoritative interpretations of how monetary and financial systems work and how they should be managed. Chapter 4 examines a large body of speeches from high-ranking officials at the Fed and the ECB from 2009–2020. Focusing on how they frame and seek to make sense of the repoliticization of the economy and their place in it, I delineate and critically interrogate three core ideological narratives: (1) a climate of fear, (2) authoritarian neoliberalism, and (3) stakeholder capitalism. Chapter 5 extends this analysis by critically examining the intellectual reorientation of the Bank for International Settlements (BIS) following the GFC. I trace out the unique economic imaginary of what I call Global Balance-Sheet Capitalism that has developed at the BIS over this period and critically examine how the bank has sought to deploy this imaginary in defence of financial globalization as a political project. A short concluding chapter considers some of the implications of this research for contemporary socialist politics.

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List of Abbreviations

ABCP = asset-backed commercial paper

AIG = American International Group

AMLF = Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility

BIS = Bank for International Settlements

BoE = Bank of England

BoJ = Bank of Japan

CBI = central bank independence

CPFF = Commercial Paper Funding Facility

EC = Eurozone Crisis, 2009–2015

ECB = European Central Bank

EMU = Economic and Monetary Union

ESCB = European System of Central Banks

EU = European Union

Fed = United States Federal Reserve System

FOMC = Federal Open Market Committee

GBSC = Global Balance-Sheet Capitalism

GDP = gross domestic product

GFC = Great Financial Crisis, 2007–2009

GSE = government-sponsored enterprise

IMF = International Monetary Fund

IPE = International Political Economy

LTRO = longer-term refinancing operations

MBS = mortgage-backed security

MMLF = Money Market Mutual Fund Liquidity Facility

MMMF = money market mutual fund

NAFTA = North American Free Trade Agreement

OCA = optimal currency areas

OECD = Organisation for Economic Co-operation and Development

OMT = Outright Monetary Transactions

PDCF = Primary Dealer Credit Facility

PELTRO = pandemic emergency longer-term refinancing operations

PEPP = Pandemic Emergency Purchase Programme

PMCCF = Primary Market Corporate Credit Facility

PPPLF = Paycheck Protection Program Liquidity Facility

QE = quantitative easing

RBNZ = Reserve Bank of New Zealand

Repo = repurchase agreement

SMCCF = Secondary Market Corporate Credit Facility

SMP = Securities Market Programme

SUERF = The European Money and Finance Forum (originally, Société Universitaire Européenne de Recherches Financière)

TALF = Term Asset-Backed Securities Loan Facility

TLTRO = targeted longer-term refinancing operations

TSLF = Term Securities Lending Facility

US = United States of America

VoC = varieties of capitalism

WEF = World Economic Forum

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INTRODUCTION: **ECONOMIC GOVERNANCE AFTER THE CRASH**

> It was not supposed to be this way.
>
> *— Claudio Borio, Head of the Monetary and Economic Department at the Bank for International Settlements (2019).*

In the decade following the Great Financial Crisis (GFC) of 2007–2009, economic stagnation, punishing austerity, runaway asset-prices, and rising inequality have gone hand in hand with declining political legitimacy, the decomposition of shared narratives, and the accelerating climate crisis, engendering widespread political and ideological turmoil in many Western democracies. Thus, a number of Gramscian-oriented scholars have argued that the post-GFC era is one of 'organic crisis' and 'interregnum', a period in which the old hegemonic order appears to be dying, yet systemic reform is not forthcoming (Babic, 2020; Keucheyan & Durand, 2015; Stahl, 2019). An organic crisis is a period in which 'incurable structural contradictions' (Gramsci, 1971, p. 178) force political and ideological division, disorientation, and realignment (Stahl, 2019, p. 336). Today, this is particularly visible in the erosion of intellectual and moral leadership of ruling elites, who have struggled to understand or explain the post-crash period. In sharp contrast to the triumphalism of Western (neo)liberals in the 1990s and early 2000s—a period, as *Financial Times* columnist Edward Luce (2017, p. 11) puts it, of 'unshakeable self-confidence' among the governing class—elite discourse has become rather fearful and disoriented (e.g., Emmott, 2017; Luce, 2017; Runciman, 2016). As Amin Samman (2019, p. 2) puts it, (neo)liberal self-satisfaction and 'manifest destiny' has been replaced by 'a new and radical uncertainty about the logics of economic and political change, about the kind of present these [have] produced, and about the possible futures that might be forged through such a moment'. Samman, and much of the related crisis literature, conveys the sense of a world that has become unmoored from its own sense-making capacities: ours is a period of epistemological crisis.

Adopting this Gramscian view of our current era as one of organic crisis, and in particular as one of intellectual and ideological disorientation among elites, my research seeks to explore the changing forms and ideological dimensions of what I call *technocratic economic governance* within this context. A number of seminal social-science investigations have identified the rise of the technocratic 'mentality' (Putnam, 1977), 'worldview' (F. Fischer, 1990), or 'mind-set' (Centeno, 1993) as an increasingly influential force in democratic politics and public policy over the past four decades (see also, Bickerton & Invernizzi-Accetti, 2021; Esmark, 2017; Radaelli, 1999). As Frank Fischer (1990) argues, expertise and political appeals to expertise have become central to the organization of society and the exercise of power. This rise of the 'politics of expertise' has dovetailed with the rise of neoliberalism as a political project that seeks to 'insulate' or 'encase' the global market economy from democratic politics (Chorev, 2005; Gill, 1998; Peck, Theodore, & Brenner, 2012; Slobodian, 2018). By the late-1990s, both neoliberalism and the politics of expertise had become hegemonic across the West. 'The economy' was thoroughly depoliticized, institutionally insulated from political contestation in many areas and framed ideologically as a neutral field of expert administration and guidance (Burnham, 1999; Davies, 2016; N. Fairclough, 2006); in this terrain, political competition became increasingly focused on the question of who was best qualified to manage economic development (Mair, 2009).

While the crisis of 2007–2009 and its ongoing fallout catalysed a 'repoliticization' of the economy and its management—which has intensified since the onset of the Covid-19 pandemic—the forms of technocratic economic governance that became dominant in the 1990s have remained resilient over this period. The very resilience of technocratic economic governance in an otherwise fractious political and ideological landscape is a key structural feature of the current organic crisis. Perhaps nowhere has the resilience, and indeed expansion, of technocratic power been more acute and consequential than in the field of central banking.

While independent central banks had already become the leading institutions of technocratic economic governance by the mid-1990s, their systemic importance has been greatly magnified following the financial crisis. In addition to providing extraordinary liquidity support during periods of financial stress, central banks have created new regulatory structures and epistemologies for financial systems and have provided unending monetary stimulus since 2007, prompting some observers to suggest, a touch hyperbolically, that we are living through an era of 'central bank-led capitalism' (Bowman et al., 2013). The early months of the Covid-19 pandemic saw central banks scale new heights, with the announcement of asset-purchase programs and emergency liquidity facilities that were historic in scale. Nowhere was this more dramatic than at the Federal Reserve, which was purchasing securities at the rate of over US$80 billion per day in late-March 2020 to prevent a global financial collapse.[1]

The rise of central bank power is deeply intertwined with the world-historical processes of financial globalization—the intensive integration of financial markets and the growth of cross-border capital flows—and global financialization—the increasing importance of financial markets and financial logics in the development and governance of economic life (Epstein, 2005; Hardie, 2012; Krippner, 2011).[2] Financial globalization and global financialization are central dynamics of the

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[1] Federal Reserve Bank of New York, 'Treasury securities operational details', https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details

[2] There is a vast literature dealing with the phenomenon of 'financialization' over this period, which I am unable to summarize in full here. It is, however, worth noting the three major strands of financialization research that have influenced my thinking: Marxian, post-Keynesian, and critical macro-finance. The touchstone contemporary Marxist account remains Arrighi's (1994) *The Long Twentieth Century*, which approaches financialization as a cyclical development in the global capitalist economy, signaling the decline of the hegemon—in our case, that of the US—and caused by accumulating structural contradictions. Krippner (2011) and Durand (2017) have both provided seminal extensions and critiques of this argument. While the Marxian research tends to view financialization as unsustainable in the long run (cf., Brenner, 2009; Lapavitsas, 2013), by contrast, post-Keynesian scholars have examined how spatially differentiated, more-or-less stable, 'finance-dominated' accumulation regimes have developed over the past 40 years, delineating the macroeconomic and institutional foundations and contradictions of these regimes (e.g., Hein, 2012; Stockhammer, 2008; Stockhammer & Kohler, 2019). Third, mobilizing a broadly post-Keynesian view of finance, scholars of critical macro-finance have approached the problem of financialization by examining the co-evolution of global finance and the state in the development and governance of credit-creation and liquidity-management regimes (e.g., Braun, 2020b; Dafermos, Gabor, & Michell, 2020; Gabor, 2020). For an ageing, but still useful, overview of the wider social-science literature on financialization, see van der Zwan (2014).

neoliberal era, or what I refer to in this thesis as *neoliberal financial capitalism*. Many critical social-science scholars have therefore interpreted the evolution and expansion of central bank power in the post-2007 period as a response to the contradictions internal to this (global) system. Critical political economists and sociologists have, for example, examined how the recognition of new market realities during and after the GFC prompted central banks to create new liquidity and regulatory tools that 'derisk' (Gabor, 2020) key asset classes and forms of funding (Baker, 2013b; Gabor, 2016; Gabor & Ban, 2016; Murau, 2017; Tooze, 2018a; Wullweber, 2020). Some investigations have focused on the changing technologies and communication strategies through which central banks govern financial markets (Braun, 2015a; Holmes, 2013; Morris, 2016; Wansleben, 2018); other work has focused on how economic ideas—conceptions of how 'the economy' works and the economic models used to describe economic activity—shape central bank policy and make markets governable (Braun, 2014; Gabor, 2014; Matthijs & Blyth, 2018). Scholars have also explored processes of crisis narration and navigation among central bankers following the GFC, and have traced how these narratives evolve over time (Baker, 2015; Ferrara, 2020; Rosenhek, 2013; Samman, 2019). And a growing body of literature has examined the various entanglements between central banks and the financial sector in the neoliberal era, bringing into question the validity of central bank independence and unsettling mainstream perceptions of central bankers as neutral technicians (Adolph, 2013; Braun, 2020b; Conti-Brown, 2016; Fernandez-Albertos, 2015; Fontan, Claveau, & Dietsch, 2016; Hockett & Omarova, 2017; Jacobs & King, 2016; Kalaitzake, 2019; Riles, 2018; Tooze, 2018a, 2021; Vogl, 2017).

In this thesis, I build upon, but also depart from, the above-cited literature. Principally, I seek to enrich scholarly understanding of the post-GFC period of 'continuity and transformation' (el-Ojeili, 2021, p. 83) in technocratic economic governance by analysing the evolution of critical aspects of central banking in the West.[3] This means explicitly theorizing the changing discourses and forms of

[3] In this thesis, I often use 'the West' as shorthand for a subset of advanced economies—and thus a number of distinctive 'varieties of capitalism', however defined (cf., Amable, 2003; Boyer, 2005; P. Hall & Soskice, 2001; Jessop, 2014a)—that are bound together not just by relations of trade and finance, but also by historic political ties, common political institutions, a broadly shared socio-cultural imaginary, and, post-1945, a

governance in central banking *within the wider political and ideological context of the post-GFC moment* (cf., Gabor, 2021a; Keucheyan & Durand, 2015; Tooze, 2021). Thus, I pursue two main lines of investigation in this thesis:

1. Theorizing the evolving role and expanding power of central banks within the post-GFC context of organic crisis.
2. Providing case studies of elite intellectual and ideological disorientation and attempted reorientation through an analysis of the intellectual and ideological output of central bank(er)s over this period of interregnum.

In the remainder of this introduction, I outline the epistemological and methodological orientation of the research, the key conceptual tools that I employ, and the thesis structure and core arguments. First, however, I would like to take a moment to better explain my motivations in pursuing this line of investigation in the first place, as this may help to clarify for the reader the wider intellectual and political stakes that I believe are in play.

Growing up as I did in the consensual, 'post-political' years of the 1990s and 2000s—the so-called 'End of History' (Fukuyama, 1989)—I was slow to come to any particularly political view of the world. Indeed, while Lehman Brothers collapsed only weeks prior to my 19th birthday, I have no recollection of registering the event; and when the Occupy movement exploded three years later, I likewise paid little attention. While I was raised in a left-wing household, where politics was frequently discussed, and was, like many others in my cohort, critical of American empire and cognisant of the hollowness of consumer culture, this latent political consciousness largely manifested in a postmodern ironic distance. Upon entering university life in 2014, where I became immersed in critical literature,

common geopolitical project. Western capitalism consists of the English-speaking countries (the US, the UK, Ireland, Canada, Australia, and New Zealand) plus the countries of Western Europe. While I recognize that the crises discussed in this thesis are global in form and effect, they are nevertheless articulated in particular (and, of course, uneven and differentiated) ways across Western democracies.

more exposed to political thought and debate, and engaged in political work, this postmodern skin was progressively—though probably not entirely—shed.

In this respect, the development of my own political consciousness is somewhat analogous—although partly by accident—to the wider historical narrative that has developed around the GFC, which is seen as an event that catalysed a break with the 'post-political' 1990s and 2000s. As noted above, in the historical and sociological imagination the GFC has been interpreted as ushering in a rather indeterminate historical moment, a moment in which the organization of economic life has been fundamentally repoliticized and our 'cognitive maps' (Jameson, 1988) of the world have become increasingly incoherent. But I do not think this moment should be interpreted as in any way the simple 'return of the political'. Perhaps a more accurate diagnosis would be 'post-post-political', an admittedly ugly formulation that attempts to capture the indeterminate character of the post-crash moment. While there is a sense that something has definitively changed, that an irrevocable break has been made with the post-political period, we nevertheless continue to live in the shadow of that earlier moment. One particularly notable carry-over, and the core focus of this thesis, is precisely the technocratic manner in which the governance of economic life is pursued, both institutionally and ideologically.

As Samman (2019, p. 136) puts it, in the years since the GFC, 'it has become harder than ever before to get a handle on the character of the present, which feels like uncharted territory one moment and business as usual the next'.[4] At one level, then, this thesis is an attempt to grapple with the ongoing interplay between the old and the new and how this shapes the times in which we live and how we understand these times. I do this by tracing out and critically examining the continuous (re)construction of neoliberal hegemony in its material and ideological forms in an important area of

[4] The idea that we live in a time of epistemological crisis has a long history in cultural and political theory. Fredric Jameson's reading of postmodernity as an epoch defined by the 'death of historicity . . . the weakening of our phenomenological experience of past and future' (Jameson, 2015, p. 128), has been particularly influential in my own intellectual development and interpretation of our current predicament (cf., Jameson, 1984).

economic governance. While this thesis is primarily a work of academic analysis, this analysis is not without political implications, which I address in the thesis conclusion.

The remainder of this introductory chapter is organized into four main sections. Section one introduces the epistemological and methodological orientation of the research. Section two discusses the interconnections between neoliberalism and technocracy as ideological constellations and highlights the centrality of technocratic economic governance to the neoliberal project. Section three introduces and critically discusses the Gramscian conception of crisis that I employ in this thesis. Section four provides an overview of the chapters and the core arguments that I make.

1: Epistemological and Methodological Orientation

While I employ a Gramscian lens in this thesis, the ontological, epistemological, and methodological underpinning is the philosophy of critical realism and its application by Bob Jessop and Ngai-Ling Sum (2013) in their 'cultural political economy' approach. I do not seek to systematically introduce these complex systems of thought here, but only to briefly explain the guiding hand they have had in shaping both how I have approached the research process and how I have presented the research. Further theoretical and methodological resources are presented as necessary in individual chapters.

Critical realist scholars seek to tack a third way between what they identify as the two extremes of idealism (including social constructivism) and empirical realism (Bhaskar, 1978, 1989; Collier, 1994; Jessop, 2015). For critical realists, reality is not reducible to representation, as in the social constructivist approach, but neither can it be directly nor accurately observed, as in the empirical realist approach. While sympathetic to the former approach, critical realists argue that social constructivists are prey to the 'epistemic fallacy', the 'view that statements about being can be reduced to or analysed in terms of statements about knowledge' (Bhaskar, 1978, p. 36). Such a view assumes the untenable position that knowledge precedes being. In contrast, for critical realists, a concrete or 'intransitive' reality exists prior to, and outside of, human knowledge, and this reality, or rather the objects that comprise it, behave in the same manner regardless of our knowledge of them (Bhaskar, 1989, chap. 2; 2005, chap. 1).

To theorize this, critical realist scholars advance a 'depth ontology', breaking 'reality' as such into three levels (Bhaskar, 2005, chap. 1; Collier, 1994, p. 42). The 'real', the first and deepest level, comprises structures and mechanisms that have generative and causal tendencies which may or may not be actualized. The real cannot be observed, only posited. The second, intermediate strata is the 'actual', where events and processes occur that are the result of structural tendencies and mechanisms at the level of the real being actualized in contingent historical conditions (Collier, 1994, p. 42). The third, shallowest level is the 'empirical', which comprises our experience, and therefore our evidence, of the actual (Collier, 1994, p. 44). The empirical is the level at which knowledge and representations of the world are generated. As Bhaskar (2005, p. 20) notes, scientific inquiry consists in the movement 'from manifest phenomena to the structures that generate them', that is, from evidence of the actual to debate over structural causality. Such knowledge is necessarily historically situated, incomplete, and transient (Bhaskar, 1989, p. 64). Conceptualized in this way, the social world, while constituted in part by our representations of it, is nevertheless irreducible to these representations. Further, it is never *a priori* clear whether representations of the world—for example, ideas about how 'the economy' works—are causally efficacious. This depth ontology provides my research with its most basic intellectual starting point.

Methodologically, my research utilizes the 'pluralistic logic of discovery' and 'logical–historical method of presentation' favoured by critical realists pursuing social-science research (Sum & Jessop, 2013, p. 7). To the first, because the social world is so complex, it cannot be adequately understood and analysed from one entry-point alone. Consequently, researchers should consider a plurality of entry-points into any given research area—hence, a pluralistic logic of discovery (Sum & Jessop, 2013, p. 7). The logical–historical method refers to a retroductive method of research, where the researcher begins with a set of abstract and simplified analytical categories and aims to complexify these categories through data collection, analysis, and consideration of the conjunctural dynamics at play—

hence, the researcher moves from *logical* to *historical* presentation (Sum & Jessop, 2013, p. 7). The starting point for any inquiry into the social world is therefore a discursively constituted, abstract, and relatively simplified research problem—e.g., 'technocratic economic governance'—to be approached from a number of different entry points. Throughout the research process, this abstract–simplified research problem is elaborated through concrete–complex case studies, a recursive process of theory proposition, data gathering, analysis, and theory modification (Jessop, 2015, p. 240; Sum & Jessop, 2013, pp. 9-10).

Following this 'pluralistic logic of discovery', my analytical entry points into the research problem are both the forms of emergency financial governance and the discourse of central banking from 2007 onwards. My data here is drawn from a wide range of primary and secondary sources. The former consists of official central bank documents from the US Federal Reserve System (Fed), the European Central Bank (ECB), and the Bank for International Settlements (BIS), including a large corpus of speeches from high-ranking central bankers (see appendix). These institutions were chosen as case studies because of their systemic importance in neoliberal financial capitalism and their influential role as intellectual and moral leaders of the central banking and policy communities as well as finance capital more broadly (see chapter 4). The secondary data consists of theoretical and empirical literature from the policy establishment, mainstream economics, critical political economy, and political and economic sociology. I provide more detail on the specific data that is drawn upon and my methods of analysis in each chapter.

This pluralistic logic of discovery is also reflected in the structure of the thesis. The first two chapters begin with the most abstract and macro-level elements of the research problem: the institutional form and strategic orientation of contemporary central banks (chapter 1) and the structural underpinnings of the GFC and its fallout (chapter 2); the last three chapters then telescope into more detailed analyses of emergency central bank intervention (chapter 3) and the post-GFC discourse of central banking (chapters 4 and 5).

As to the 'logical–historical method of presentation', I employ a range of conceptual and analytical tools throughout the thesis, which enable me to dig into the objects of analysis, a process which simultaneously enables me to refine and recalibrate these conceptual and analytical tools. I introduce these tools in detail in the relevant chapters. Below, however, I introduce in more detail the two central concepts that frame this thesis: (1) technocratic economic governance, and (2) a Gramscian conception of crisis.

2: Neoliberalism and Technocratic Economic Governance

In this thesis I focus attention on the centrality of technocratic forms of economic governance and technocratic ideology to actually existing neoliberalisms in the West and examine their evolution in the post-GFC period. This calls for several clarifications as to what I mean by these terms, 'technocracy' and 'neoliberalism', and the historical trajectories of these intertwined political projects. In this section, I first introduce neoliberalism and technocracy as distinct ideologies and political projects before emphasizing the centrality of technocratic forms of economic governance during the highpoint of hegemonic neoliberalism in the 1990s and 2000s.

The ideologies of neoliberalism and technocracy, while intimately intertwined in the contemporary era, are also analytically distinct from one another along a number of lines. While the term is not without its critics (see Dunn, 2016; Flew, 2014; Venugopal, 2015), 'neoliberalism' is an effective means of describing the reformulated liberal ideology, policy prescriptions, and forms of governance through which global capitalism has been reorganized over the past four decades.[5]

[5] Of course, neoliberal ideology has by no means smoothly transformed the world in its own image. As is now commonplace to assert in social-science scholarship, actually existing processes of neoliberalization and neoliberal forms of governance are varied, hybrid, contested, and continually in motion, and transitions to neoliberal regimes across both the Global North and the Global South have been ad hoc, experimental, and incomplete (Jessop, 2019; Konings, 2018; Krippner, 2011; Peck et al., 2012; Slobodian, 2018). As Stuart Hall (2011, p. 708) put it: neoliberalism is 'not one thing. It combines with other models, modifying them. It borrows, evolves and diversifies. It is constantly "in process"'. Actually existing neoliberal regimes and neoliberal forms of governance should therefore be distinguished from neoliberalism-as-ideology (which is

Neoliberalism is a constellation of sometimes contradictory and conflictual ideas and schools of thought, but its conceptual and normative core was first developed over the inter-war years by European thinkers such as Ludwig Mises and Friedrich Hayek. While it has often been interpreted as a political project that idealizes the free market and demonizes the interventionist state, as scholarship in intellectual history and critical social science has shown, the utopian drive behind the neoliberal project—and the primary focus of neoliberal intellectuals—has always been the creative development of laws, institutions, and modes of politics and governance that 'insulate' or 'encase' the capitalist market from mass democracy, enabling market competition to work 'properly' (Amable, 2011; Chorev, 2005; Gill, 1998; Peck et al., 2012; Slobodian, 2018).[6] The institution of technocratic forms of governance that would siphon economic decision-making away from elected representatives or constrict their room for manoeuvre has therefore always been central to the neoliberal project, albeit provided varying weight in the different branches of neoliberal thought (Biebricher, 2015).

While neoliberals, drawing on the work of Hayek in particular, emphasize the limitations of the human mind and the superiority of the market as an economic and social planner, the ideology of technocracy is rooted in Enlightenment ideals of the rational mind, the promise of positivist science, and the centrality of technological development and technical expertise to modernity and the administration of society (Radaelli, 1999, p. 13). Contra Hayek, who stresses the unknowability of the

itself a heterogenous constellation of ideas). Likewise, when speaking of 'neoliberal financial capitalism', it is important to note that this is a spatially variegated regime.

6 As Bruno Amable (2011, p. 5) highlights, competition is 'a supreme principle' of neoliberalism, which 'should be placed above political influences'. In seeking to encase the market, neoliberals therefore look to overcome the tension between competitive markets and mass democracy. In this sense, and others, neoliberalism is clearly distinct from classical liberalism. While the latter emphasizes the mutually beneficial nature of exchange and the apparent naturalness of the free market, the former invokes, moralistically, a more brutal world of competition and struggle and articulates a clear-eyed understanding that the free market needs to be *actively* constructed and defended (Slobodian & Plehwe, 2020). However, while competition may be a 'supreme principle' of neoliberalism-as-ideology, in practice the past 40 years of neoliberalization have witnessed the growth of monopoly and monopsony power and the return of the rentier as a central figure (Christophers, 2020; Jones, 2018).

market, the economic technocrat seeks to constantly expand their knowledge of the market, and to refine their tools for monitoring and managing it, so as to govern more effectively.

Francis Bacon is thought to have been the first to speculate on the promise of scientific rationality, envisioning a future ruled by a technical elite (F. Fischer, 1990, p. 67; Radaelli, 1999, p. 14). But it was Henri de Saint-Simon who first theorized the potential for technocracy in industrial society, developing in the early 19th century a vision of the 'Administrative State', which was to be a system of 'expert management' run by scientists and technicians, captains of industry, and philosophers and artists (D. Bell, 1973, p. 343; F. Fischer, 1990, p. 69; see Saint-Simon, 1964). Proliferating in the US in the early 20th century with the development of Taylorism, the theory of technocracy was renovated and reinvigorated as the emergence of 'post-industrial' society, the 'knowledge economy', and neoliberal hostility towards democracy reshaped the political-economic terrain in the last third of the century (Putnam, 1977, p. 384). Daniel Bell's famous 1973 work, *The Coming of Post-Industrial Society*, forecast a new age of technocratic enlightenment, in which the dominant figures or 'new men' were to be 'the scientists, the mathematicians, the economists, and the engineers of the new intellectual technology' and the fundamental themes and guiding logics were to be 'rationality, planning, and foresight' (D. Bell, 1973, pp. 344, 348). While Bell's predictions by no means came to pass, he was essentially correct in tendering that 'knowledge and planning . . . have become the basic requisites for all organized action in modern society' and thus that 'the spread of education, research, and administration has created a new constituency—the technical and professional intelligentsia' (D. Bell, 1973, p. 362). Experts and expertise are indeed indispensable in the governance of contemporary society and 'technical authority' is an important source of social power (Porter, 2003, p. 523).

In classical technocratic thought, the ideal state was to be 'a system of governance in which technically trained experts rule by virtue of their specialized knowledge and position in dominant political and economic institutions' (F. Fischer, 1990, p. 17), a theory of politics that goes back to Plato. However, in recent decades scholars of technocracy have used the concept to analyse not this ideology of the ideal state, but instead to examine the particular actors and tendencies that are operative within, and are an important component of, actually existing democratic regimes. A number of seminal works have traced out the technocratic 'mentality' (Putnam, 1977), 'intellectual ethos' (F. Fischer, 1990), or 'mind-set' (Centeno, 1993) that is operative, among other places, in economic policymaking (see also, Bickerton & Invernizzi-Accetti, 2021; Esmark, 2017; Radaelli, 1999).[7] These authors are not describing a values-based political ideology as such, but rather 'an ideology of method' (Centeno, 1993, p. 312), a worldview that is oriented more to influencing the *shape* and *form* of politics rather than its particular content (F. Fischer, 1990, p. 21).

This 'ideology of method' centres on the claim that objective, scientific truth is the basis for legitimacy in governance and that social problems, economic or otherwise, are best solved through the application of 'technical and administrative knowledge derived through the proper application of expert methodologies' (F. Fischer, 2009, p. 178). In Fischer's (1990, pp. 59, 18) words, 'the most persistent technocratic conviction' is that 'science is superior to politics'; the technocrat seeks above all to 'promote technical solutions to political problems'. Technocracy is thus an epistemological position that claims that the 'common good' or 'public interest' can be objectively determined through scientific analysis and realized through the proper application of technical knowledges. In this way, technocracy as an ideology of method can be mobilized to evacuate or, more accurately, *conceal* the value-systems and power dynamics that underpin and shape the ideational and institutional structures of governance in any social formation, capitalist or otherwise. Thus, while a 'technocratic state' could be structured around neoliberal principles of free capital flows and privatization, it could also be structured around socialist principles of egalitarian ownership of the means of production and the public provision of social services (see Table I.1).

[7] A burgeoning empirical literature has also examined technocratic attitudes among public servants (Andersen, 2021; Raudla, Douglas, & Mohr, 2021; Ribbhagen, 2011; Tortola & Tarlea, 2021; Wood, 2021) and support for technocratic politicians and forms of politics among the voting public (Bertsou & Caramani, 2020; Bertsou & Pastorella, 2017; Lavezzolo, Ramiro, & Fernández-Vázquez, 2021) in Western democracies. Another strand of literature has delineated the rise of 'technopopulism'—the blending of technocratic and populist 'modes of political action'—as the dominant political logic of contemporary Western democracy (Bickerton & Invernizzi-Accetti, 2021; Caramani, 2017; Kriesi, 2014; Piquer & Jäger, 2020).

Another way of putting this is that despite the claims to scientific objectivity and rationality that are characteristic of technocracy as an ideology and mode of governance, explicitly value-laden political content (neoliberal, Keynesian, or socialist, for example) will *always* be incorporated into and rearticulated alongside technocratic systems of governance (Centeno, 1993, p. 312). What makes a given system technocratic, then, is not just that the governing elite comprises specialists who have a particular skill set that enables them to effectively administer and govern that system. More importantly, a governance system can be considered technocratic if the *political values* that underpin that system are re-presented as being politically neutral or are rendered invisible. In representing the ideational and institutional architectures of a particular form of governance as scientifically sound and non-contestable—as a neutral field of expert administration and technical guidance—technocrats and technocratic structures are therefore formative in the construction and reproduction of hegemony and 'common sense'.

Table I.1. Stylized varieties of technocratic economic governance.

	Techno-socialist	**Keynesian**	**Neoliberal**
Central goal	• Sustainable and egalitarian economic development	• Smooth the contradictions of capitalism	• Overcome the contradictions of capitalism
Main actors	• Socio-economic technicians	• Political-economic technicians	• Financial technicians
Key mechanisms	• Socio-economic planning • Coordination of production • Redistributive policy	• Counter-cyclical macroeconomic policy • Steering of production • Redistributive policy	• Derisking state • Competition state • Insulation of market from democracy

Indeed, over the past 40 years technocratic forms of economic governance have been instrumental features of actually existing neoliberalisms. Following the first wave of the neoliberal onslaught during the 1980s—an offensive characterized by William Davies (2016, p. 126) as one of 'self-conscious insurgency . . . aimed at combatting and ideally destroying the enemies of liberal capitalism'—neoliberalism had become hegemonic across most of the West by the mid-1990s. The roll-out of technocratic economic governance in this period was achieved in three main ways. First, via an ideological offensive aimed at transforming popular and elite common sense around the relationship between political authority and market power, characterized above all by appeals to the constraints placed upon domestic economic sovereignty by globalization, or, in the case of the EU, the deepening of the common market and the birth of the common currency (Burnham, 2001; N. Fairclough, 2000; Hay, 2004). Such strategies were, for example, at the heart of the Clinton administration in the US—'It's the economy, stupid!'—and the Third Way of Tony Blair in the UK, and have remained relatively dominant in the post-GFC era.

Second, this was complemented by the rise of the politics of 'responsible management' (Mair, 2009), in which political parties and leaders must make strategic appeals to expertise in order to win political power—what Fischer (1990) calls 'the politics of expertise'—and claim to represent and govern for the interests of 'society' as a whole (Bickerton & Invernizzi-Accetti, 2021). Fundamental here was the discursive reduction of politics to policy (Burnham, 2001; Jessop, 2016) and the increased prominence of economists, central bankers, and finance experts in shaping economic common sense. This was a significant departure from the more 'ideological' politics of the early and middle part of the 20th century, in which political parties and civil-society institutions represented and mediated the interests of distinct social cleavages (Bickerton & Invernizzi-Accetti, 2021).[8] By contrast, as Peter Mair (2009, p. 6) writes, in the neoliberal era political parties 'have moved from representing interests of the citizens to the state to representing interests of the state to the citizens'.

Third, the institution of technocratic forms of economic governance was also achieved through legislation. For example, critical public policy decisions were delegated to unelected, expert

[8] Ideological convergence between major political parties is a further important feature of the politics of responsible management (Katz & Mair, 1995, 2009).

agencies such as central banks (see chapter 1); rules-based policy frameworks were developed which narrow political discretion—nowhere more elaborate than the labyrinth of fiscal rules imposed upon Eurozone member-states; and strategies of scalar governance were implemented, whereby economic sovereignty is siphoned away from nation-states to supra- and international decision-making bodies (Gill, 1998; Harmes, 2006; Peck et al., 2012).

In these ways, the 1990s and early 2000s were characterized by the consolidation of technocratic forms of economic governance and the technocratic ideal that (economic) science—in the service of the particular and concealed interests of capital—is superior to politics. In this context—the recalibration of the relationship between political authority and market power, the replacement of cleavage- and values-based party democracy with the politics of responsible management, the delegation of economic policy to unelected officials, and the institution of rules-based and scalar forms of governance—Mair (2013) famously argued that political parties across the West are 'ruling the void'. As the next section will elucidate, the GFC catalysed a still-ongoing cycle of political-ideological contestation of 'the economy' and its management; however, this repoliticization has played out in the political-economic and sociological context of a denuded democratic infrastructure across the West—Mair's void—and has been met with vigorous resistance from entrenched institutions of neoliberal financial capitalism, as I explore in this thesis.

3: An Organic Crisis of the Neoliberal Regime?

As I noted in the opening paragraphs of this chapter, the GFC catalysed a breakdown in established narratives about globalization and capitalist development in the 21st century. In this section, drawing on the ideas of Gramsci and on recent neo-Gramscian scholarship, I outline in more detail how the post-GFC period can be conceptualized as one of 'organic crisis' and 'interregnum'. It is important to note at the outset that this approach to the post-GFC period leaves to one side the problematic—and to my mind, not particularly useful—question of whether or not neoliberalism is 'dead', 'dying', or about to collapse (c.f., Crouch, 2011; Durand, 2017; Konings, 2018; Kotz, 2015; Streeck, 2016). The position I take in this thesis is that neoliberalism, as a (variegated) social system, form of governance, and ideological constellation, has continued to evolve over this period and remains dominant today; however, this has taken place against the backdrop of intense political-ideological turmoil, disorientation, contestation, and recombination, giving rise to novel political and ideological formations at both the popular and elite levels. The Gramscian approach to crisis provides a useful framework for thinking this period and for interpreting political, economic, ideological, and intellectual developments therein.

Following the insights of institutionalist scholarship, and particularly the Marxian Regulation Approach, capitalism, as an inherently unstable socio-economic system, can be said to be periodically stabilized through the development of distinct accumulation regimes—for example, Fordist capitalism or financialized capitalism—supported by complementary modes of regulation and hegemonic projects that stabilize and regularize this accumulation regime (Aglietta, 1998; Amable & Palombarini, 2008; Boyer, 1990; Jessop & Sum, 2006). This is analogous to Gramsci's (1971) theoretically underdeveloped concept of the 'historical bloc'—the system of mutually enabling economic structures and political, cultural, and ideological superstructures that provide coherence and stability to a capitalist social formation and project hegemony. Political-ideological turbulence, contestation, and recombination are, of course, part and parcel of any historical bloc (S. Hall, 2011, p. 727), but in periods of relative stability will not present a serious threat to hegemony. However, when a crisis is rooted in the long-run, 'organic' dynamics and structural contradictions of a period of capitalist development—that is, when the prevailing accumulation regime and mode of regulation begin to come apart under the weight of their internal contradictions—it may not be able to be successfully contained by the historical bloc, precipitating a crisis of hegemony.

For Gramsci (1971), hegemony is related to the capacity of the dominant classes to secure the consent of subordinate classes to a particular set of political and economic relations. This in turn is reliant on the dominant classes' capacity to establish, maintain, and extend intellectual and moral leadership, presenting their particular class interests as the general interest (Cox, 1983, pp. 168-169).

As Sum and Jessop (2013, p. 201) write: ‘Effective hegemony depends on the capacity of dominant groups to suture the identities, interests, emotions and values of key sectors of subordinate classes and other subaltern groups’. This is accomplished through the development of the aforementioned hegemonic projects, which construct an imagined ‘general economic interest’, tied to a ‘political, intellectual, and moral vision of the public interest’ (Jessop, 2016, p. 87) and formalized in a relatively coherent and scientifically justifiable policy paradigm. If adopted and supported by dominant social groups, such a hegemonic project will become economic ‘common sense’—a set of taken-for-granted assumptions that naturalize a contingent political-economic configuration and define the terms of acceptable debate (Stahl, 2021b). In periods of organic crisis, the legitimacy and ‘naturalness’ of the prevailing common sense is undermined, precipitating a crisis of hegemony that may last for decades, with no guarantee of resolution (Filippini, 2017, p. 98; Gramsci, 1971, p. 276).

It is important to note that while organic crises may be sparked by economic crises—such as with the Great Depression, the Great Inflation, or the Great Financial Crisis—economic crises in themselves are not sufficient. As Gramsci (1971, p. 184) wrote of the crises of his own time: ‘It may be ruled out that immediate economic crises of themselves produce fundamental historical events; they can simply create a terrain more favourable to the dissemination of certain modes of thought, and certain ways of posing and resolving questions’. Thus, political-ideological struggle, social discord, and historical narration is necessary to transform an economic crisis into a *crisis of the system* as such. In this respect, it is important to recognize that the work of social scientists, historians, politicians, technocrats, and others in framing the GFC as a turning point in 21st-century history, and my own decision to follow them in doing so, is bound up with the wider social act of *constructing the crisis* as an event that must be interpreted and responded to—i.e., the social act of constructing history.

As various scholars have argued (Babic, 2020; Keucheyan & Durand, 2015; Stahl, 2019; Streeck, 2016; Worth, 2019), the post-GFC period can be usefully conceptualized as one of organic crisis. The 1990s and the 2000s were glory years for neoliberalism, marked by the fall of the Soviet Union, the integration of China into the world market, turbocharged financialization, the launch of the euro, and the institution of the World Trade Organization, NAFTA, and the Washington Consensus. Among the governing and intellectual elite, this was the widely discussed moment of the 'End of History' (Fukuyama, 1989), a period wherein 'fundamental disagreements over the way in which society ought to be run [were] increasingly marginalised' (Bickerton & Invernizzi-Accetti, 2021, p. 8). Economically, it became known as the 'Great Moderation' (Bernanke, 2004)—a period of low macroeconomic volatility and sustained, albeit unspectacular, growth in the advanced economies. Independent central bankers reigned supreme, the IMF and the World Bank administered structural adjustment programmes across the Global South, and Third Way politics dominated the Anglosphere. Socially, this period saw the intensification of discourses of marketization, commodification, and competition, and their linking to notions of liberty, creativity, and efficiency (Boltanski & Chiapello, 2017; Davies, 2016)—the 'economization' of all spheres of life (Brown, 2015, p. 17). So total was the ideological victory of neoliberalism in this period that at the dawn of the new millennium, Perry Anderson (2000, p. 13), venerable high priest of the British Left, declared it 'the most successful ideology in world history'.

But the financial crisis brought this period of neoliberal self-congratulation to an abrupt and unexpected halt and pitched the open-market order into stormy waters. Two key causal mechanisms driving this shift should be emphasized, although they are by no means the only factors in play. First, the management of the GFC and the related Eurozone Crisis (EC) of 2009–2015—bailouts for the banks, asset-welfare for the rich, and austerity for the rest—severely undermined the legitimacy and ideological coherence of the post-Cold War consensus at the popular level. Second, exacerbating this hit to neoliberal hegemony, the material effects of both the GFC and the EC were devastating, especially for working-class communities and the so-called 'losers' of globalization (Broz, Frieden, & Weymouth, 2021), who suffered high levels of un- and underemployment throughout the 2010s.[9] The

[9] In the US, for example, the unemployment rate jumped from 4.6% in 2007 to peak at 9.6% in 2010 and did not fall back to pre-crisis levels until 2016. The UK and many European countries also experienced devastating increases in unemployment: between 2009–2013, unemployment in the UK rose to 8%; in Italy, which had already struggled through a decade of economic stagnation, unemployment doubled from 6.1%

recovery was painfully slow, and also uneven, greatly exacerbated by austerity policies across the US, the UK, and continental Europe throughout the 2010s, with the costs of austerity falling most heavily on the communities already negatively affected by neoliberalization (Broz et al., 2021). In the US, for example, from 2009–2018 the incomes of the top 1% grew by 38.5%, while the incomes of the bottom 99% grew by only 10.2%, the vast majority of this growth captured by the top 9% (Saez, 2019, p. 7); similar, albeit less extreme, patterns are observable in other Western countries.

The upshot has been a deepening crisis of representation and political legitimacy (Borriello & Jäger, 2020; Mair, 2013), with significant swathes of Western electorates dissatisfied with the rule of mainstream political parties. The past decade has thus been marked by an upsurge in protest movements, the collapse of many social democratic parties in continental Europe, the rise of right-wing national populisms, the return of socialist ideals and movements, the birth of new forms of centrism, and a broader breakdown in shared ideological narratives. Crucially, though, while intellectual and ideological confusion and dissensus is visible at the popular level, with detachment from traditional ideologies and realignment to new and competing hegemonic projects, it is also visible at the level of the governing elite (Stahl, 2019), which has struggled to come to grips with, and develop solutions for, the current crisis (Foster & el-Ojeili, 2021); it is this political-ideological confusion and dissensus *within* the governing elite that is of interest in the present thesis.

In the oft-quoted passage from the *Prison Notebooks*, a period such as this, marked by the absence of a stable hegemony and by political-ideological turbulence, is characterized as an 'interregnum', in which 'the old is dying and the new cannot be born' (Gramsci, 1971, p. 276). Following Rune Møller Stahl's (2019, p. 335) rigorous extension upon Gramsci's rather sporadic comments on this concept, such a period should be conceptualized not as a mere transition, but as a historical period *in its own right*, which may or may not be resolved by the emergence of a new hegemonic regime and stable historical bloc (see also, Babic, 2020). In this framing, post-GFC

in 2007 to a 12.7% in 2014; and in Spain, unemployment peaked in 2013 at a devastating 26.1%. OECD statistics: https://stats.oecd.org/

neoliberalism can be conceptualized as a 'semi-ordered system' (Stahl, 2019, p. 338): ideological and intellectual dissensus has become widespread and severe, but existing institutions of governance have remained relatively effective and the mute compulsion of economic relations buttress the status quo (Marx, 1976 [1867], p. 899; Mau, 2021).

Moreover, as Gramsci (1971, p. 178) writes in his notes on the 'analysis of situations', while in an organic crisis,

> incurable contradictions have revealed themselves . . . despite this, the political forces which are struggling to conserve and defend the existing structure itself are making every effort to cure them, within certain limits, and to overcome them. These incessant and persistent efforts . . . form the terrain of the 'conjunctural' and it is upon this terrain that the forces of opposition organize.

The dominant elite, while disorganized and disorientated, will seek to 'conserve and defend' the essential structure of the dominant order, reconfiguring forms of power and governance and making concessions within certain limits. In turn, these attempts to conserve and defend will themselves reshape the political-economic and ideological terrain and thus the very nature of the crisis. The crisis, then, while rooted in the long-term contradictions of a given historical bloc, must be studied at the level of the conjunctural—the level at which the prevailing 'relations of force' shift and re-form as political struggle and economic and social upheaval catalyse widespread disorganization and attempts at reorganization. It is within this terrain of the conjunctural that I situate my analysis of central banking and ideology after the financial crisis, approaching central bank(er)s as one group of the governing elite engaged in a battle to conserve, defend, and reshape neoliberal financial capitalism.

4: Thesis Overview

The remainder of the thesis is organized into five main chapters and a conclusion; I outline them in brief in this section. Chapter 1 asks two seemingly straightforward questions: (1) what is a central bank? and (2) in whose interests does it govern? To answer the first question, I turn to the critical political economy and sociological literature on the hybrid nature of central banking and capitalist finance. While central banks are typically conceptualized as state institutions that conduct monetary policy, backstop the credit system, and regulate banks, both the history of these institutions and their contemporary form paint a more complicated picture. Notably, central banks are characterized by two fundamental dualities. First, they act as both the 'bank of the state' and the 'bank of the banks' (Goodhart, 2010; Hellwig, 2014); second, they are both 'regulators of' and 'participants in' private financial markets (Braun, 2020b). I therefore argue that modern central banks should be conceptualized as *public–private governors*, fulcrums of the structural interdependency of public state and private market. The modern central bank, that is, stands 'between' state and market, working to stabilize capitalist structures of finance in the interests of both.

Turning to the second question, inasmuch as modern central banks are public–private governors, they are deeply tied not just to the state apparatus but also to finance capital as a social class. Drawing on Nicos Poulantzas's sociology of the capitalist state, and Bob Jessop's extension upon Poulantzas's work, I examine the neoliberal and technocratic ideal of central bank independence—its theoretical justifications, what independence from government means in practice, and the deep interconnections between central banks and finance capital that undermine this ideal. I argue that, as a material condensation of the balance of social forces, today's formally independent central banks should further be conceptualized as *power centres* of finance capital, public–private institutions that govern primarily in the interests of, and are penetrated by, finance capital, although are not reducible to the latter. Conceptualized in this way, central banks are crucial institutions in the (re)production of neoliberal hegemony; subsequent chapters look to substantiate this claim.

Chapter 2 turns to consider the political-economic terrain in which these power centres of finance capital have intervened since 2007. I review a wide range of scholarly literature on the proximate and structural causes of the GFC, the EC, and the Covid-19-induced financial panic of March/April 2020. The role of financial deregulation and liberalization and highly accommodative financial and monetary conditions over the 1990s and 2000s were important drivers of financialization. More fundamentally, the neoliberal revolution has caused real wages to stagnate for large sections of the working and middle classes in many advanced economies, while the incomes and wealth of the top 1% have dramatically increased, as have corporate profits, driving an explosion in within-country income and wealth inequality. These dynamics have driven a growth in demand for debt on the part of the working and middle classes and for fictitious investment among profit-rich corporations and high-net-worth individuals. In conjunction with the rise of corporate strategies of shareholder value maximization and secular developments such as ageing populations and the computerization of finance, these dynamics turbocharged the growth of finance across the Western world, particularly from the 1990s, and should, I argue, be understood as key structural causes of the GFC, the EC, and the Covid-19 financial panic.

In developing this synthetic analysis, chapter 2 provides a narrative overview of these crises and the forces that drove their development, tying these crises of modern finance to the wider political-economic and institutional terrain from which they emerged. I therefore argue that the Great Financial Crisis, the Eurozone Crisis, and the Covid-19 panic, while spatially particular and uneven in their causes and effects, should be understood to be deeply rooted in the political-economic and institutional fabric of neoliberal financial capitalism—that is, as *organic* developments of this (variegated) regime. In getting a bearing on the proximate and structural drivers of these crises, we are better equipped to examine how central banks have responded to these events, to interpret what these responses tell us about economic governance and ideology in 21st-century capitalism, and to analyse how central bank(er)s have sought to make sense of this period. Thus, in conjunction with the critical view of modern central banks developed in chapter 1, this discussion provides the context for my analysis of central bank intervention and central bank discourse in later chapters.

Chapters 3, 4, and 5 examine ‘continuity and transformation’ in technocratic economic governance along two main lines: (1) the development of central bank power and (2) attempts at ideological and intellectual reorientation within central banking. Chapter 3 examines the first issue, while chapters 4 and 5 examine the second. In chapter 3, I focus on the Fed and the ECB as illustrative case studies, examining how these power centres of finance capital have intervened to stabilize and reshape neoliberal financial capitalism over the past decade. Here, I draw upon Daniela Gabor's (2020) concept of the 'derisking state'. As Gabor (2020, p. 51) argues, contemporary capitalism pivots around the construction of liquid asset markets and therefore requires 'the state to derisk systemic liabilities during bad times, and to enable the creation of new asset classes during good times'. Perhaps the most important institution of the derisking state is the central bank, which, in times of crisis, stabilizes runs in financial systems by backstopping financial markets and reducing the investment risk associated with various assets.

A rich body of Marxian literature has developed around the concept of 'authoritarian neoliberalism' in the post-GFC period, with authoritarianism conceptualized not just as the use of coercive force, but as the increasing insulation of government and governance from democratic dissent. Developing upon this concept, I situate the derisking central bank within the broader context of organic crisis and theorize it as an important component of the rise of more authoritarian forms of neoliberalism since 2008. I show how neoliberal financial capitalism hinges in important ways on the capacity of central bank(er)s—which/who are well insulated from real-time political pressures—to find ad hoc technico-political fixes for the crisis tendencies of contemporary finance. In this way, I argue that authoritarian neoliberalism pivots around 'the explicit exclusion and marginalization of subordinate social groups through the constitutionally and legally engineered self-disempowerment of nominally democratic institutions, governments, and parliaments' (Bruff, 2014, p. 116)—i.e., the advance of technocratic economic governance—not just because it is politically expedient, but also because it is absolutely *necessary* that certain forms of emergency intervention remain out of reach, partly invisible, and indeed largely unintelligible to the wider public.

The rise of central bank power over this period has also caused significant political blowback, threatening central bank independence. Chapters 4 and 5 therefore turn to examine how central bankers have responded intellectually and ideologically to the repoliticization of 'the economy' and its management following the GFC. Drawing on Gramsci, I develop a conception of central bankers as *organic intellectuals* of and for finance capital. As organic intellectuals of and for finance capital, I argue, central bankers are both technical specialists and political operatives who produce authoritative interpretations and accounts of how monetary and financial systems work and seek to galvanize action among elites on particular political-economic issues. The data for both chapters comprises a large body of central banker speeches, policy documents, and commentaries. Given the empirical nature of these chapters, they are both significantly longer than preceding chapters.

Chapter 4 examines a corpus of speeches from high-ranking officials at the Fed and the ECB from 2009–2020. Focusing on how these organic intellectuals of and for finance capital frame and seek to make sense of the repoliticization of the economy and their place in it, I delineate the emergence of three key ideological discourses. First, the condensation of a *climate of fear*, driven by epistemological uncertainty and the perception that repoliticization is driving the liberal, rules-based world order apart and giving rise to recalcitrant nationalisms and populisms, inflationary and deflationary threats, economic stagnation, the loss of social cohesion, and threatening the demise of central bank independence. But if the open-market order—and by extension the prosperity of Western societies—is under threat, the independent central banker strides out into history as the latter's white knight, a protector of the common good of sound money and financial stability. In the context of these existential threats to the stability of Western capitalism, the dull central bank(er), continually intervening to save the system of from itself, is transformed in this discourse into a heroic guarantor of social stability and prosperity.

Beyond this figure of the heroic central bank(er), though, two more fundamental ideological responses have been developed. First, there has been an intensification of reactionary *authoritarian neoliberalism*, in which fiscal austerity, neoliberal structural adjustment, and the fortification of the rules-based economic order are advocated for as a means of foreclosing democratic contestation and ensuring economic growth. While dominant in the years immediately following the GFC, this discourse has, over recent years, increasingly given way to that of *stakeholder capitalism*. Exponents of stakeholder capitalism, while approving of the essential market structure of neoliberal financial capitalism, see a role for a more fiscally active state, for targeted policy fixes to address systemic inequalities, under-employment, and the climate crisis, for the 'greening' of finance, and even for consensual democratic renewal in some areas. Stakeholder capitalism, I argue, is a response to the failure of authoritarian neoliberalism to secure hegemony, and seeks to neutralize the repoliticization of the economy by bringing people 'into the tent' and softening some of the harder edges of the neoliberal order.

While chapter 4 critically delineates the broader ideological themes that have been developed in central bank discourse over the past decade, chapter 5 zeros-in on one notable attempt at intellectual reorientation from within the governing elite. Here, I examine the post-GFC intellectual output of the Bank for International Settlements (BIS), an international organization that I conceptualize as a *collective* organic intellectual of and for finance capital. Following the GFC, the BIS has advocated for a transformation in how the global financial system is visualized and understood. While the dominant approach in macroeconomics is to visualize the global economy as a collection of national economic 'islands' (Shin, 2017), in which fragilities are largely located between national economies in the form of current-account imbalances and government-debt burdens, in response to the GFC and the changing nature of global capitalism the BIS has developed a new 'economic imaginary', which I call *Global Balance-Sheet Capitalism* (GBSC).

I critically unpack this economic imaginary, focusing on the BIS's identification of the global financial cycle as one of the central governance problems of GBSC. In the BIS's view, policymakers have allowed dangerous financial imbalances to build up over time because they have failed to put in place sufficient counter-cyclical mechanisms to constrain the global financial cycle. Seeking to 'properly' manage GBSC, then, the BIS has advocated a set of significant shifts in the spatio-temporality of macro-policy—namely, rescaling the spatial horizon of economic management from the national to the international and the temporal horizon of economic management from the (political) short-term to the (technocratic) medium- to long-term. In this technocratic imaginary, the longevity of financial globalization is to be ensured through fidelity to a set of principles of 'good' economic governance, in which policymakers must continuously strive to be more provident, more prudent, and more innovative in the pursuit of lasting economic and financial stability. In critically delineating and unpacking Global Balance-Sheet Capitalism, I provide a case study of a notable attempt at (re)constructing 'the economy' as a 'world' amenable to particular forms of technocratic management in response to the repoliticization of economic life following the financial crisis.

Finally, a short concluding chapter summarizes the key contributions of the thesis before considering some of the political implications of the research for socialist thought and strategy.

CHAPTER 1: **POWER CENTRES OF FINANCE CAPITAL**

In mainstream economics and policy literature, the modern central bank, staffed by technocrats and charged with a set of economic and regulatory governance tasks, is typically framed as a state institution much like any other. If we scratch beneath this surface, though, we find a less straightforward picture. As Benjamin Braun (2020b, p. 396) points out, central banks are both 'regulators of' and 'participants in' private financial markets. On the one hand, Braun notes, the central bank is an administrative institution, setting and policing the rules and parameters within which the private institutions they regulate must operate; on the other hand, the central bank operationalizes monetary and financial policy by transacting in financial markets *as a bank* (Braun, 2020b, p. 398; Hellwig, 2014). In this way, the central bank governs financial markets both from without, as an external regulator, and from within, as a market player.

In this latter capacity, there is a further duality to the central bank, which acts as both the 'bank of the state' and the 'bank of the banks'. This has long been the case: many of the first central banks, such as the Bank of England, founded in 1694, and the Bank of France, founded in 1800, were created as private institutions to provide war financing to the state (Goodhart, 1988, p. 4; Singleton, 2011, pp. 11-12). As they developed over the 19th century, the core role of these institutions shifted from the provision of finance to the state to the provision of stability to the banking sector. With the birth of modern macroeconomics in the interwar period, the traumatic experience of the Great Depression, and intense class struggle between labour and capital, discussions over the role of monetary policy in shaping and steering economic activity came to the fore, many central banks were nationalized, and central banking became more interventionist and macroeconomic in focus, oriented to promoting price stability, full employment, and economic growth (Hellwig, 2014, p. 15). During the Second World War and into the post-war 'golden age', this was actualized through tight fiscal–monetary policy coordination, with central banks largely subservient to governments (Braun & Downey, 2020, p. 6; Goodhart, 2010, pp. 2-3). But when this system came apart in the 1970s, with slowing economic growth, declining profitability, and increasing unemployment going hand-in-hand with rising inflation and bitter class struggle, finance capital, neoliberal ideologues, and central bankers moved to insulate the management of money from democracy, a project which eventually took the form of the independent, inflation-targeting central bank. Central bank independence (CBI) was to be a centrepiece of the period of hegemonic neoliberalism in the 1990s and 2000s, a model of those technocratic times and a major victory of the neoliberal offensive.

In this chapter, I interrogate the institutional form and strategic orientation of today's formally independent central banks and consider the following questions: (1) what is a central bank? and (2) in whose interests do modern, formally independent central banks govern? To address these questions, I organize the chapter into three main sections. In the first section, I highlight the importance of monetary and financial stability in capitalism and outline a broadly post-Keynesian conception of money and its contemporary forms. This conceptual approach to money takes its starting point from Keynes's and Minsky's observations that capitalism is a 'monetary production economy' (Keynes, 1973, p. 408)—an economic system 'dependant on investment through monetary flows' (G. Mann, 2017, p. 231), financed via endogenous credit creation, which is inherently procyclical and unstable (Minsky, 1982, 1986). In turn, different forms of money can be conceptualized as hierarchically organized promises to pay 'at par on demand'—that is, exchange one-to-one with—a higher form of money (S. Bell, 2001; Gabor & Vestergaard, 2016; Mehrling, 2013b; Murau, 2017). In financial crises, the 'moneyness' of different promises to pay is tested. Here, the central bank, as the monopoly issuer of the most secure—the hierarchically highest—promise to pay steps in as lender of last resort so as to maintain stability in the value of money and thus in capitalist structures of finance. This discussion illuminates the foundational role of the central bank in maintaining stability in capitalist financial systems and hints at the deep interconnections between the private banking system and the central bank. Sections 2 and 3 seek to theorize these interconnections in more depth.

Engaging with the literature on the hybrid nature of central banking and capitalist finance (Braun, 2020b; Braun, Krampf, & Murau, 2021; Hellwig, 2014; Hockett & Omarova, 2017; Mehrling, 2013a; Vogl, 2017), in section 2 I argue that modern central banks should be conceptualized as *public–private governors*, fulcrums of the structural interdependency of public state and private market. On the one hand, the state relies upon finance capital—defined in this thesis as 'the fraction of capital dedicated to making money out of money' (Keucheyan & Durand, 2015, p. 36)[1]—to finance itself, while on the other hand, finance capital relies upon the state to reduce epistemic uncertainty, to 'derisk' investment, and, in periods of crisis, to provide liquidity. Here, the central bank stands 'between' state and market, working to stabilize capitalist structures of finance in the interests of both. That is, in its capacities as a monetary and financial policymaker and as a lender of last resort, the modern central bank acts as a two-way conduit between the state and finance capital, a nexus point of the structural interdependency and 'infrastructural entanglement' (Braun, 2020b) of these spheres.

Inasmuch as modern central banks are public–private governors, then, they are deeply tied not just to the state apparatus but also to finance capital as a social class. In section 3, I therefore seek to contribute to the above-cited literature by showing how Nicos Poulantzas's sociology of the capitalist state—extended and refined in the work of Bob Jessop—can help us conceptualize the strategic orientations of these institutions in the neoliberal era. For Poulantzas (2014 [1978], pp. 128-129), the capitalist state is neither a thing nor a subject but rather a *social relation*, an ensemble of

[1] Defined in this way, finance capital is a fraction of capital that encompasses both the commercial banking system and the wider shadow banking system, the latter of which is comprised of entities such as money market mutual funds, asset management firms, hedge funds, insurance firms, and pension funds. It is also coming to comprise the big tech firms, such as Apple, Alphabet, and Meta, which are increasingly providing financial services. Indeed, while finance capital is typically juxtaposed to ('productive') industrial capital, it is fruitless to try and draw a hard boundary between these forms of capital in the contemporary era, as the latter has been financialized over the past four decades—that is, many multinational non-financial firms have been transformed as corporate ownership has become more international, the relative weight of their financial profits has increased, and the ideology of shareholder value maximization has become hegemonic (Durand, 2017; Durand & Keucheyan, 2015; Krippner, 2011; Lazonick & O'Sullivan, 2000). In this way, the interests of finance capital have come to overlap to a large extent with the interests of heavily financialized non-financial firms. In the Western world, the dominant 'mouthpieces' of finance capital are newspapers such as the *Economist*, the *Financial Times*, the *Wall Street Journal*, and *Bloomberg*, and semi-formal consortiums of capital such as the World Economic Forum, the US Business Roundtable, and the European Financial Services Round Table.

institutions and practices that 'reflect and refract' (Jessop, 2016, p. 10) the balance of social forces, past and present. I apply Poulantzas's and Jessop's insights to a critical discussion of the neoliberal and technocratic institution of CBI, examining its theoretical justifications, what independence from government means in practice, and the deep interconnections between central banks and finance capital that undermine independence. I argue that, as a material condensation of the balance of social forces, today's formally independent central banks should be conceptualized less as neutral technocratic institutions and more as *power centres* of finance capital, public–private institutions that govern primarily in the interests of, and are penetrated by, finance capital, although are not reducible to the latter. Thus, by applying a Poulantzian frame I show that while central bank(er)s—as public–private governors—are subject to a range of competing interests, they *structurally favour* those of finance capital and indeed are *organically connected* to this social class. In these respects, today's central banks and central bankers are active agents in the (re)production of neoliberal hegemony.

1: Money in Capitalism

To understand the place of the central bank within, and the mechanisms through which they stabilize and regularize, capitalist financial systems, it is necessary to first discuss the role of money in capitalism and the particular forms of money that circulate today. The conceptual approach to money and credit detailed in this section begins with Keynes's and Minsky's observations that capitalism is a 'monetary production economy' (Keynes, 1973, p. 408)—an economic system 'dependant on investment through monetary flows' (G. Mann, 2017, p. 231), financed via endogenous credit creation, which is inherently procyclical and unstable (Minsky, 1982, 1986). Like Marx, Keynes recognised that the logic driving capitalism is the accumulation of capital (in the form of money) for the sake of further capital accumulation.[2] Because investors are concerned first and foremost with profit, they will only invest when they can be reasonably confident that they will see a return on their

[2] M–C–M' (money, commodity, more money), Marx's (1976 [1867], ch. 4) general formula for capital, therefore holds for Keynes.

investment. In turn, investment is primarily funded not with savings but with credit. So too, creditors will only lend if they can be reasonably confident that they will be repaid (with interest) in the future. This means investment is always future-focused and therefore future-dependent. Capital will be invested if sufficient future profit flows are expected; in turn, imagined future profit flows are 'projected back into the present' (Nesvetailova, 2015, p. 447) to determine the current value of capital assets.

For Keynes (2017 [1936]), the source of many of capitalism's problems is the fact that the future is unknowable, and so investors must operate in conditions of uncertainty. The fundamental uncertainty of future economic conditions, and therefore prospects for profitability, generate a systemic preference for liquidity—that is, for money, the most liquid asset. Because the future is uncertain, people may accumulate money rather than spend it, both for the purposes of security (money for a rainy day) and speculation (money for an opportunistic investment) (Keynes, 2017 [1936], pp. 170-171). While this is always true to a degree, for Keynes, the liquidity preference rises and falls as economic conditions and expectations of future profitability fluctuate. When economies are growing and expectations of future profitability are rosy, investors' liquidity preference should fall and credit should become readily available, driving interest rates down and investment up in a virtuous cycle. In contrast, when economies are stagnant or contracting and expectations of future profitability are more uncertain, investors' liquidity preference should rise and access to credit should become constrained, driving interest rates up and investment down in a vicious cycle. For Keynes, driving interest rates down and relaxing the liquidity preference is the key to economic success in a monetary production economy. Crucial to the success of capitalism, then, are investors' expectations of the future, as these shape investment behaviours and the pricing of assets in the present. For investment to flow readily, and for asset pricing to function smoothly, uncertainty must somehow be reduced.

Importantly, then, in a monetary production economy money is not simply a 'neutral link' facilitating the exchange of goods, as is assumed in neoclassical economics; rather, it is fundamental in shaping the 'motives and decisions' of economic actors (Keynes, 1973, p. 408). Not only a medium of exchange, money is also a means of settlement, a store of value, and a unit of account (Ingham, 2004; G. Mann, 2013). Thus, in the (post-)Keynesian view, by measuring and storing the power to make purchases or settle debts, money transports value 'through space and time' (G. Mann, 2013, p. 200). One way of thinking about the relation between money and uncertainty, then, is through reference to money's temporal dimensions. As a means of settling debt and storing, measuring, and standardizing value, money is, in Keynes's formulation, '*a link between the present and the future*' (Keynes, 2017 [1936], p. 254, emphasis in original).

But for this link to hold, the stability and integrity of money must be maintained over time. This has several dimensions: first, maintaining stability in the value of money (money as store of value), and second, maintaining the integrity (acceptability) of money as a means of settlement. As Geoff Mann (2013, p. 200) writes, 'any claim money can represent is necessarily propped up, and in fact can only make sense in light of, the absolute certainty that claim will be realisable at some other point in time and/or space'; in this respect, 'Money works only on the assumption that the future will be qualitatively like the present'. This necessitates institutions capable of stabilizing and regularizing money, which is where the central bank comes into play.[3]

But establishing the functions of money does little to clarify what money actually is, a notoriously thorny issue that I do not engage with in any length here. Instead, in the remainder of this section I outline a conceptualization of money developed in contemporary post-Keynesian scholarship that provides a powerful lens through which to understand how liquidity crises work in contemporary fiat money systems, and the role of the central bank in responding to them. While not a complete

[3] The broader (Marxist) point here is that the stability of money can only be maintained by ensuring the stability of capitalist social relations *in general* (G. Mann, 2013). Numerous institutions and practices are oriented towards reducing uncertainty, including the legal system, which enforces private-property rights and contractual agreements; public and private practices of economic forecasting, risk assessment, and risk management; and the varied commitments made by government to support capital accumulation through, for example, fiscal policy or labour-market reform.

account of what money 'is', this conceptualization of money is nevertheless illuminating for the purposes of this thesis.

In the post-Keynesian reading, money is approached as, among other things, something that 'extinguishes debt'—that is, debt, as a social relation between debtor and creditor, is *settled* by money (Gabor & Vestergaard, 2016; Mehrling, 2013b; Murau & Pforr, 2020). Money is a two-way social relation, recorded and institutionalized in a unit of account, and settled by the delivery from the debtor to the creditor of the thing 'which answers to the description' (Keynes, 1930, p. 3) of the unit of account. For Keynes (1930, p. 4), the unit of account is determined by the authority of the state, which, by announcing that which it will accept tax liabilities in thereby creates the unit of account (S. Bell, 2001, p. 156). Note, however, that this is not the same thing as creating money or creating the need for money (Beggs, 2017; Lapavitsas, 2013, chap. 4), an issue which I bracket in this chapter. Importantly, that the state creates the unit of account does not preclude the issuance of other forms of money. As post-Keynesian-oriented scholars emphasize, theoretically anyone can create money if they are able to convince others that their promise to pay is credible and reliable, and in capitalism most money is created by private actors (S. Bell, 2001; Gabor & Vestergaard, 2016; Minsky, 1986). Money, that is, is not restricted to that which directly represents the unit of account; if something else comes to represent a credible promise to be exchanged for that which directly represents the unit of account, then it too may be treated as money or 'moneylike'.

For example, in a fiat currency system such as the US dollar, currency and reserves issued by the Fed represent the most credible promise to pay, as they are the most direct representation of the unit of account, backed by the capacity of the Fed to issue legal tender and the sovereign at large to 'use their means of coercion to levy taxes on their subjects and to coordinate political and economic resources to make credible their commitments' (Pistor, 2013, p. 323). However, because of the privileged institutional position of commercial banks in the financial system, commercial bank money, in the form of demand deposits, is treated in normal times as a practical equivalent to Fed money

(Gabor & Vestergaard, 2016; Wullweber, 2021). That is, demand deposits at banks look like and operate as money *as such* but are in fact promises to pay 'real' (central bank) money.

Money is also hierarchical in that not all monies are considered equal in their promise to pay the unit of account (Mehrling, 2013b). Central bank money and commercial bank money are unique in the money hierarchy because, as the most direct and credible promises to pay the unit of account, they are also the forms of money used for ultimate settlement. As Zoltan Pozsar (2014, p. 9) explains:

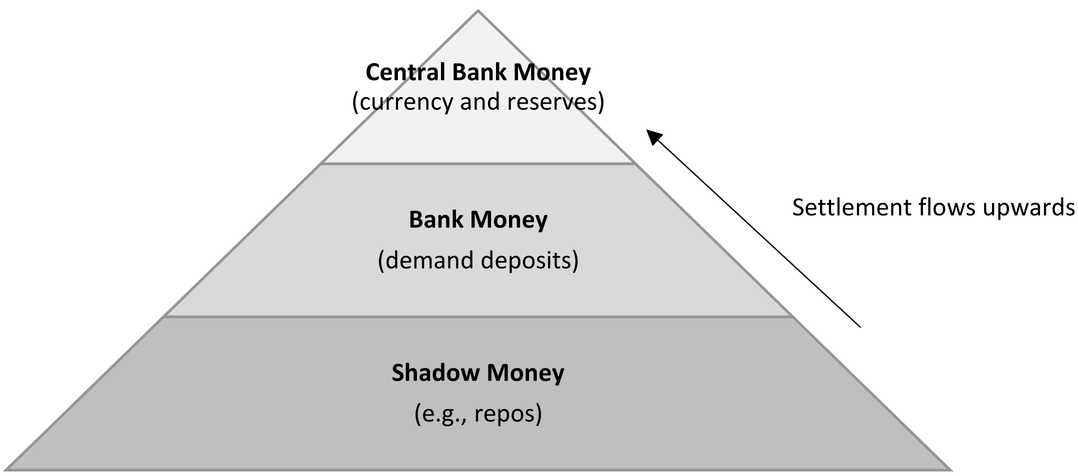
> The net payments of . . . [all] actors in the broader financial ecosystem, are settled using demand deposits, and net deposit flows between banks are settled via transfers of reserves between banks' reserve accounts maintained at the central bank. In this sense, banks and demand deposits are special among core institutions and core money claims because of their unique role in forming the backbone of the payments system and facilitating the payments of all entities lower in the system-hierarchy.

Joscha Wullweber (2021, p. 70) draws attention here to the importance of 'security structures', the 'institutional structure[s] safeguarding the promise' of some monies to 'trade at par on demand' with others. In a similar formulation, Daniela Gabor (2020) conceptualizes these institutional structures or state interventions as 'derisking' technologies. In the case of central bank money, the security structure or derisking technology safeguarding this promise to pay is the fact that the central bank, as an extension of the sovereign, does not face a liquidity constraint in its own currency and that settlement between banks must be made using central bank reserves.[4] In the case of bank money, it is the close relationship and set of guarantees between commercial banks and state authorities—their access to central bank lender-of-last-resort facilities and the provision of deposit insurance by regulatory authorities—that ensure the par convertibility of bank money into central bank money.

[4] But central bank money is also hierarchical. The Fed, as the only central bank capable of creating US dollars, the dominant global currency, occupies the apex of the international monetary hierarchy.

Another example of security structures/derisking technologies can be found further down the money hierarchy. As Gabor and others have argued, repurchase agreements (repos) can be considered moneylike inasmuch as they function as promises to trade at par on demand with bank deposits (Gabor & Vestergaard, 2016; Murau, 2017; Pozsar, 2014). This promise is made credible through the use of liquid collateral and the conventions of haircuts, mark to market, and margin calls (Gabor & Vestergaard, 2016, pp. 10-12).[5] This means that the holder of the repo certificate—the promise to pay—can, in normal times, treat it *as if* it were money (Murau, 2017, p. 809). While repo markets lacked any state-backed security structure prior to the GFC, the past decade has seen various interventions in this direction in countries such as the US (see chapter 3).

Figure 1.1. Basic money hierarchy.



Source: Adapted from Mehrling (2013b).

5 Repos are short-term collateralized loans (typically ranging from overnight to 90 day) in which one party lends cash (bank deposits) to another in exchange for a portfolio of collateral of equivalent value plus a premium, colloquially known as the 'haircut'. On a predetermined date, the portfolio of collateral is 'repurchased' by the debtor plus interest. Importantly, the lender (for whom the transaction is a 'reverse repo') assumes legal ownership of the collateral, but the borrower retains economic ownership, meaning that they collect the capital gains if the collateral rises in value, continue to collect any coupon payments, and assume the related risks. To preserve the par value of the collateral with the cash that was lent in exchange, collateral is marked to market daily and margin calls are made by the lender (the legal owner of the collateral) if the value of the collateral falls below the amount of cash lent. Together with the convention of haircuts, these practices theoretically enable the collateral securing the loan to maintain par with the cash that was loaned out.

In sum, in this conceptualization what makes something money, or gives it 'moneyness', is that it promises to trade 'at par on demand'—trade one-to-one on demand—with a hierarchically higher promise to pay. Figure 1.1 provides a basic diagram of the hierarchy of contemporary money, adapted from the work of Perry Mehrling (2013b). Here, we see the relationship between central bank money at the top of the pyramid, commercial bank money on the next tier, and 'shadow money' or 'moneylike claims' such as repos at the bottom. As Gabor and Vestergaard (2016, p. 7) note, 'The distance from the apex [of the hierarchy] represents the varying degree of acceptability, fundamentally depending on how readily convertible private promises are into state money or in moneys higher in the hierarchy *without loss of value*'. The moneyness of different promises to pay is tested in a financial crisis, when investors rush towards hierarchically higher forms of money, trying to 'cash in' hierarchically lower promises to pay (Gabor & Vestergaard, 2016; Mehrling, 2013b; Wullweber, 2021). It is here that the foundational role of the central bank as the lender of last resort comes into play.

2: Public–Private Governors

Having established the nature of money in contemporary capitalism, this section considers the unique institutional character of central banks. Drawing on the wider literature on the hybridity of capitalist finance and central banking (e.g., Braun, 2020b; Braun, Krampf, et al., 2021; Hellwig, 2014; Hockett & Omarova, 2017; Mehrling, 2013a; Vogl, 2017), I argue that these institutions should be conceptualized as *public–private governors* that operate 'between' the public state and the private market and seek to maintain monetary and financial stability in the interests of both. This is primarily accomplished by coordinating and stabilizing fragile and interdependent monetary and financial systems through practices of central *banking*. The account I develop below is stylised in that I seek to delineate the general characteristics of advanced-economy central banks while recognising that there are important institutional differences between them.

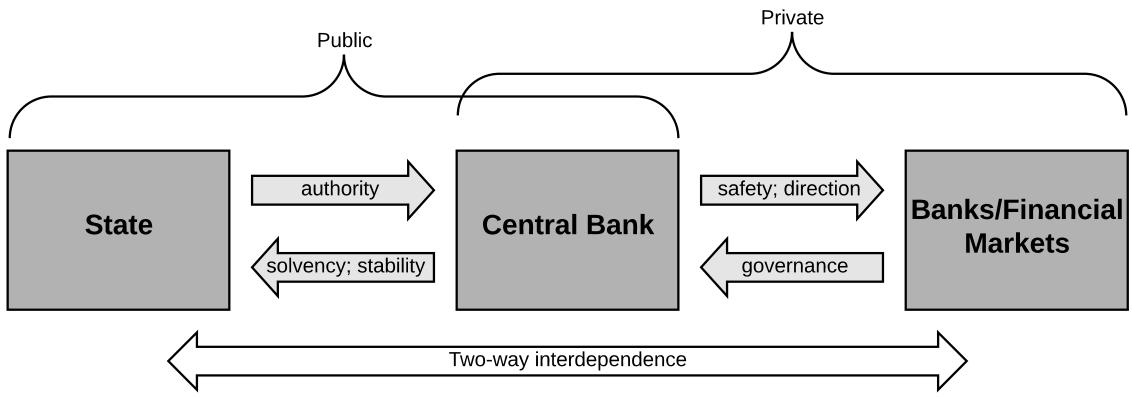
Central banks have long been hybrid institutions, playing a dual role as the bank of the state and the bank of the banks. As noted above, many of the first central banks were created to provide war financing to the state (Goodhart, 1988, p. 4; Singleton, 2011, pp. 11-12). As Goodhart (1988, p. 4) argues, 'This function naturally involved favoritism, often supported by legislation, by the government for this particular bank in return for its financial assistance'. Over time, these banks became instrumental in unifying and centralizing the issuance of national currencies and managing the metallic base underpinning them, providing further benefits to governments through improved economic performance, enhanced governance capacity, and profits from seigniorage (Goodhart, 1988, pp. 4-5). Being located at the heart of a nation's payments system and commanding the political favour of government and the right to issue legal tender, central banks came also to serve as the 'bank of the banks' through the 19th century (Goodhart, 1988, p. 5; Vogl, 2017, p. 101). The central bank offered commercial banks a place to store their reserves and a means of settling payments between them; most importantly, by virtue of its privileged position, the central bank was able to serve as an emergency lender to temporarily illiquid banks—a lender of last resort—preserving monetary and financial stability in times of stress (Goodhart, 1988, p. 5; Hellwig, 2014, pp. 13-14). As Goodhart (1988, p. 8) notes, the development of supervisory and regulatory capacities in central banks generally evolved from this role as lender of last resort.

As Braun (2020b, p. 396) notes, modern central banks are hybrid in another sense: they are both 'regulators of' and 'participants in', private financial markets. The modern central bank is, on the one hand, an administrative institution much like any other, setting and policing the rules and parameters within which the private institutions they regulate—commercial banks—must operate. On the other hand, it accomplishes monetary and financial policy aims by transacting in financial markets *as a bank* (Braun, 2020b, p. 398)—and indeed, it is in this capacity that these institutions first developed. This is the case for both the day-to-day operationalization of monetary policy and the provision of emergency liquidity facilities. That central banks are, as the name suggests, banks naturally means they are quite different from other state institutions. As Martin Hellwig (2014, p. 5) writes, 'Whereas administrative authorities are setting, interpreting and applying statutory rules, most activities of central banks involve transactions on a *quid-pro-quo* basis', engaging with other banks in taking and making deposits and buying and selling financial assets. This means that central banks are 'infrastructurally entangled' with private finance (Braun, 2020b; Braun, Krampf, et al., 2021). As Braun (2020b) argues, this infrastructural entanglement enhances the central bank's governance power, but also makes it dependent upon private financial institutions to achieve policy goals.

In these ways, it is useful to think of the modern central bank as a hybrid public–private institution that operates 'between' the public state and the private market, acting as an agent of stability for both. Take the day-to-day implementation of monetary policy. The source of the central bank's power to exercise monetary policy (and its ability to act as lender of last resort), derives from its monopoly over the issuance of high-powered money—its position at the top of the money hierarchy. Banks must settle accounts between one another and with the central bank using central bank reserves. The central bank can manipulate the wholesale money markets (where banks trade liquidity) by increasing or decreasing the availability of reserves. Central bank(er)s thus operationalize monetary policy via their (indirect) control over short-term interest rates in the money markets. Here, central banks have two main tools with which to achieve monetary policy goals: the discount rate at which they lend to banks, which affects the overnight inter-bank lending rate, and open market operations—the buying and selling (in repo and reverse repo transactions) of government debt securities. For example, if the central bank wants to lower interest rates, it will lower its discount rate and will reverse repo government securities, thereby pumping liquidity into the financial system. If it wants to raise interest rates, it will raise its discount rate and will repo government securities, thereby draining liquidity from the financial system. At the Fed, for example, daily interest-rate policy is pursued through repo and reverse repo transactions of Treasury securities via the Federal Reserve Bank of New York—in other words, it is pursued by transacting in private markets.

Or take the 'unconventional' monetary and financial stability policy of large-scale asset purchases—so-called 'quantitative easing' or 'QE'. In periods of market stress, such as during the Great Financial Crisis, the Eurozone Crisis, and the Covid-19 financial panic, central banks have purchased large quantities of systemically important securities, underwriting these markets (see chapter 3). In the US, this plays out through the Fed's backstop of the Treasury market and the mortgage-backed securities market, while in the Eurozone it plays out through more politicized ECB backstopping of member-state debt. On the one hand, QE ensures the continued existence of deep and liquid markets for government debt, and thus the ability of government to finance its spending. On the other hand, because contemporary financial markets revolve around the liquidity of long-term debt assets, by intervening in these markets the central bank can prevent or arrest the development of a liquidity crisis, restoring stability and therefore profitability to the markets (see chapter 3). Thus, in backstopping government debt markets, the central bank both ensures that the state can continue to finance its spending and provides security and stability to private finance, ensuring the latter's profitability.

Figure 1.2. Central banks as hybrid institutions.



Source: Author's illustration, adapted and modified from Braun et al (2021).

In Figure 1.2, I have attempted to represent this 'essential hybridity' (Mehrling, 2013a) of the central bank. On the one hand, the state relies upon private financial actors to finance its expenditure; on the other hand, finance capital relies upon the state to reduce epistemic uncertainty, to derisk dominant market structures and behaviours, and to provide liquidity in times of crisis. The central bank stands 'between' state and market, working to stabilize the financial system in the interests of both, ensuring the state's continued solvency and legitimacy and the profitability of finance capital. Put otherwise, the central bank acts as a two-way conduit between the state and private finance, channelling money and security back and forth between these two spheres in its capacity as a bank. Of course, this intertwining and interdependency of public state and private finance is a foundational characteristic of capitalism, and thus the hybridity of the modern central bank is nothing new. But the point of stressing the hybrid nature of central banks here is that it provides the appropriate starting point for an analysis of the structural biases of modern central banks—the ways in which they are wired to govern overwhelmingly in the interests of a particular social group. It is to this issue that the following section turns.

3: Strategic Orientations

The previous section addressed the question of what a central bank is. This section turns to the second question—in whose interests do modern, formally independent central banks govern? To answer this question, I draw upon a Poulantzian conception of the capitalist state to examine the convention of CBI and what it tells us about the strategic orientations of advanced-economy central banks. In contrast to classical Marxism, in which the state is conceptualized as the organizing committee for the affairs of the bourgeoisie—a 'thing' to be utilized—and against liberal conceptions of the state as a Leviathan that hovers above society—a 'subject' that enjoys absolute autonomy—for Poulantzas, in his later work, the state is better thought of as a 'social relation'. In his words, 'The (capitalist) State should not be regarded as an intrinsic entity: like "capital", *it is rather a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions'* (Poulantzas, 2014 [1978], pp. 128-129, emphasis in original). Here, Poulantzas is arguing that the institutional structure of the state is itself reflective of the wider balance of social forces, past and present, within the territorial boundaries of that state. The state can therefore be conceptualized as the material crystallization of the balance of social forces: 'political class domination is inscribed in the material organisation and institutions of the state system' (Jessop, 1999, pp. 44-45). Crucially, though, while it is a reflection of the wider balance of social forces, the capitalist state is also 'relatively autonomous' (Jessop, 2016). This is both because the dominant social forces are ultimately heterogenous and because the state must ensure the reproduction of its own legitimacy over time, a task which requires maintaining stability in, and reproducing, capitalist social relations. Thus, one of the key tasks of the capitalist state is to productively manage social conflict between fractions of capital and between capital and labour (Levine, 2002, pp. 175-176).

Following Niklas Luhmann's distinction between 'classical' and 'contemporary' theory, Bob Jessop (2017, p. 188) argues that Poulantzas's work, cut short by his death in 1979, should be classed as the former. That is, Poulantzas's theory of the capitalist state 'offers an interconnected set of claims that has been superseded by later theoretical developments and is, therefore, no longer convincing in its original form' (Jessop, 2017, p. 188). Many of these later theoretical developments have been advanced by Jessop himself, whose work is a synthesis, extension, and refinement, above all, of Poulantzian and Gramscian insights on the 'nature of the state as a system of *strategic selectivity* and on the nature of political struggle as a field of *competing strategies* to attain hegemony' (Jessop, 2002, p. 212).

Jessop (2016, p. 10) casts the state as a (conflictual) institutional ensemble that 'reflects and refracts' the wider balance of social forces, past and present. That is, while the state is the material condensation of the balance of social forces and therefore a product of class struggle, it also constitutes the very terrain upon which hegemony is organized and reproduced. It accomplishes this through the development of a 'biased composition of constraints and opportunities' (Jessop, 2016, p. 55) that favour the interests of the dominant social groups at a given point in time. Building from Poulantzas's concept of 'structural selectivity', Jessop terms this the 'strategic selectivity' of the state, which is articulated as a 'complex set of institutional mechanisms and political practices that serve to advance (or obstruct) particular fractional or class interests' (Jessop, 1999, p. 57). As the state is neither a thing nor a subject, but rather a conflictual social relation, strategic selectivity is unevenly distributed across different institutions and sites of the state (Durand & Keucheyan, 2015, p. 133). As Jessop (1999, p. 55) puts it, 'The state is an ensemble of power centres that offers unequal chances to different forces within and outside the state to act for different political purposes'. Some of these 'power centres' will be tied to—will reflect and refract the interests of—dominant fractions of capital, while others may offer subordinate social groups chances to act within and contest the state apparatus.[6] In this respect, the strategic selectivities of the state are typically the product of social conflict and compromise and will rarely reflect a straightforward set of class interests (Levine, 2002, p. 176).

Following these insights, in the remainder of this section I argue that today's formally independent central banks can be usefully conceptualized as *power centres* of finance capital, institutions that govern primarily in the interests of this social class and are therefore instrumental in the (re)production of neoliberal hegemony. Like the capitalist state at large, though, central bank(er)s enjoy 'relative autonomy' from the interests of capital and are also burdened with the task of maintaining stability and growth in the wider economy. In this respect, while formally independent central bank(er)s are deeply tied to finance capital and structurally favour its interests, they are not reducible to these interests and exercise considerable agency in their own right.

To develop this argument, I focus attention on the convention of CBI. First, I consider the technocratic and neoliberal arguments that underpin this convention and the historical conditions in which these arguments gained purchase. Second, through reference to the ECB and the Fed, I clarify how CBI from government tends to work in practice. Finally, I consider the close interconnections between central banks and finance capital and how the former reflects and refracts, but is not reducible to, the interests of the latter.

[6] In this respect, the state itself may be riven with internal conflict and competing power blocs. Certain branches of the state, such as the military, the treasury, or the central bank, may enjoy relative dominance courtesy of their control over strategically critical areas of state power (Codato & Perissinotto, 2002, p. 61; Jessop, 2016, p. 68).

3.1: Central bank independence in theory

As central banks developed over the 19th century, the core role of these institutions shifted from the provision of finance to the state to the provision of stability to the banking sector, although as detailed in the previous section, these two roles are ultimately intertwined. Very schematically, the pre-Depression era of central banking was primarily concerned with the task of maintaining stability in the banking sector, although maintaining convertibility into gold was also important (Braun & Downey, 2020, p. 5). With the birth of modern macroeconomics in the 1930s, the traumatic experience of the Great Depression (Goodhart, 2010), and the rising power of organized labour, discussions over the role of monetary policy in shaping and steering economic activity came to the fore, and central banks, which were increasingly nationalized, began to assume a more interventionist role, pursing price stability, full employment, and economic growth (Hellwig, 2014, p. 15). During the Second World War and into the post-war *trente glorieuses*, this was actualised through fiscal–monetary policy coordination, with central banks largely subservient to governments and financial flows repressed under the Bretton Woods system (Braun & Downey, 2020, p. 6; Goodhart, 2010, pp. 2-3). Credit guidance, the monetary financing of government debt, and the regulation of the banking sector to prevent credit bubbles were all features of central banking in this era, and financial crises were rare. When this system came apart in the 1970s, with slowing economic growth, declining profitability, and increasing unemployment going hand-in-hand with rising inflation, central bankers, neoliberal ideologues, finance capital, and various policy entrepreneurs agitated for a more restrictive framework for monetary policy, namely, the control of inflation, and argued that this task should be entrusted to independent central banks that could protect money from the inflationary effects of mass democracy (Blyth, 2002; King, 2005; Roberts, 2010; Stahl, 2021a).

The core theoretical justification for CBI comprises three steps. First, the assertion that price stability, in the form of low and stable inflation, is a unitary and objective public good, beneficial to all in equal measure. As former president of the ECB Jean-Claude Trichet puts it: ‘Price stability is in the acknowledged, very best long-term interests of the people. Stable prices benefit society as a whole, rather than serving individual interests' (Trichet, 2010a). If this is so, it is essential that money is managed in the 'right' way.

Second, it is argued that government, either because of a lack of expertise or because of electoral pressure, will be tempted to manipulate the money supply—and therefore destabilize the value of money—to achieve short-term economic gains (for influential statements, see Alesina, Mirrlees, & Manfred, 1989; Barro & Gordon, 1983; Kydland & Prescott, 1977; Lohmann, 1992). In this view, while expansionary macroeconomic policy can have short-term benefits in terms of job creation, economic growth, and debt consolidation, proponents of CBI argue that it has negative long-term effects on growth as the higher levels of inflation that are generated distort price-setting and disincentivise investment. Further, it is argued that even if government does not intervene in an inflationary capacity, because price-setters know government *could* implement such policies inflationary expectations will remain unanchored.

Third, it is therefore imperative to remove such an important power from the purview of politically motivated actors. As Kydland and Prescott (1977, p. 487) argue in their seminal contribution to the theory, governments should have no discretion over monetary policy, not because 'they are stupid or evil but, rather, [because] discretion implies selecting the decision, which is best, given the current situation. Such behaviour either results in consistent but suboptimal planning or in economic instability'. Other advocates of CBI have been less generous, arguing that government will be tempted to manipulate the economy in the run-up to elections to win votes, pushing unemployment below its 'natural' rate and therefore generating suboptimal levels of inflation, with deleterious effects on long-run economic growth (Blinder, 1998). As Alan Blinder, former vice chair of the Fed, writes:

> Monetary policy, by its very nature, requires a long time horizon. One reason is that the effects of monetary policy on output and inflation come with long lags, so decision-makers do not see the results of their actions for quite some time. But the other, and far more important, reason is that disinflation

has the characteristic cost-benefit profile of an investment activity: It costs something up front and pays back only gradually over time.

> But politicians in democratic—and even undemocratic—countries are not known for either patience or long time horizons. Neither is the mass media nor the public. And none of these constituencies have much understanding of the long lags in monetary policy. So, if politicians made monetary policy on a day-to-day basis, the temptation to reach for short-term gains at the expense of the future (that is, to inflate too much) would be hard to resist. Knowing this, many governments wisely try to depoliticize monetary policy by, e.g., putting it in the hands of unelected technocrats with long terms of office and insulation from the hurly-burly of politics (Blinder, 1998, pp. 55-56).[7]

In short, while price stability is firmly in the *general* interest, democratically elected governments are too beholden to the *particular* interests of their voters and are too *short-sighted* to be entrusted with managing such an important public good. Thus, it is argued that a credible commitment to low inflation is best made by an independent central bank capable of formulating policy with an eye firmly on the long run. A central bank that has a legally binding mandate to keeping inflation low and stable and has operational independence from the government of the day will, it is argued, avoid implementing short-run expansionary policies that have long-run inflationary consequences; it will also provide price setters and investors with a credible commitment to maintaining low and stable inflation—that is, stability in the value of money.

In this way, advocates of CBI have always championed the explicit *depoliticization* of monetary policy as a way of ensuring price stability. Such arguments rest on the epistemological assumptions that underpin the ideology of technocracy (see thesis introduction). It is assumed that 'correct' and 'objective' technical solutions can be found for given social problems through rational-scientific inquiry (Centeno, 1993, p. 312; Esmark, 2017, p. 504; F. Fischer, 1990, p. 43); so too is the 'public

[7] Tellingly, Blinder (1998, p. 59) argues that these apparently sound reasons for depoliticizing monetary policy apply to 'many other aspects of economic policy—and, indeed, noneconomic policy as well'.

interest' or 'common good' able to be objectively determined (Bickerton & Invernizzi-Accetti, 2017, p. 200; Caramani, 2017, p. 60). If this is the case, then attempts by political parties or social movements to represent the public interest are inherently particularistic and therefore illegitimate. As Bickerton and Invernizzi-Accetti (2018, p. 139) put it, in this cynical view of democratic politics, 'disagreement can only be the result of an "error" on somebody's part, or at most the self-serving pursuit of a "private interest" at the expense of the "common good"'. It is only those who are 'above the political fray' that can legitimately represent the common good and who are best equipped to find solutions to social problems (F. Fischer, 1990, p. 24).

However, the argument for CBI also has clear neoliberal underpinnings, rooted not just in a desire to depoliticize money, but to purposefully *dedemocratize* it (Stahl, 2021a). The great neoliberal thinker and ideologue Friedrich Hayek, who in the 1970s was energetically trying to solve the problem of the Great Inflation, agitated strongly for the privatization of money creation and thus the destruction of democratic money (Eich, 2019). In a model passage, Hayek declared that:

> The politician, acting on a modified Keynesian maxim that in the long run we are all out of office, does not care if his successful cure of unemployment is bound to produce more unemployment in the future. The politicians who will be blamed for it will not be those who created the inflation but those who stopped it. No worse trap could have been set for a democratic system in which the government is forced to act on the beliefs that the people think to be true. Our only hope for a stable money is indeed now to find a way to protect money from politics (Hayek, 1976, p. 16).

In the neoliberal imaginary, then, preventing 'governments from meddling with money' (Hayek, 1976, p. 22) is essential for the realization of human liberation and prosperity. While CBI was not what Hayek, who advocated for the institution of 'pure private money', had in mind, it nevertheless broadly 'approximated his goal since it depoliticized economic relations, ensured price stability, and enforced economic discipline' (Eich, 2019, p. 90). Thus, in 2019, Claudio Borio of the Bank for International

Settlements recalled how the idea of CBI springs from the 'same intellectual and political fountainhead' as that of free-market globalization. This is:

> support for an open system in which countries adhere to the same principles and governments remain at arm's length from the functioning of a market economy. Independence then acts as both a signal of the adherence to those principles and a mechanism to reassure markets of that adherence: governments will not interfere (Borio, 2019).

Less a benevolent technocratic institution ensuring an objective public good, CBI is quite explicitly a key pillar of the neoliberal project of 'insulating' or 'encasing' the economy and its management from democratic contestation (Gill, 1998; Roberts, 2010; Slobodian, 2018; Stahl, 2021a).

Arguments for CBI and strict inflation targeting gained purchase in the context of the stagflation crisis of the 1970s, the existence of a bipartisan interest among major political parties in bringing inflation under control in Western countries (Eich & Tooze, 2016, p. 181), and the broader neoliberal onslaught against organized labour. The model of the highly independent, inflation-obsessed Bundesbank (Eich & Tooze, 2016, p. 175; Vogl, 2017, p. 108), and the success of the Paul Volcker-led Fed in curbing inflation by inducing successive recessions in the US from 1979–1982, which helped break the power of organized labour, lent credence to the idea that economic problems were best solved by unelected technocrats.[8] During the financial liberalization of the 1980s and 1990s, the cultivation of an anti-inflationary economic environment also became an important means of

[8] However, it is not clear that CBI delivers price stability in the first place. While the period of independent, inflation-targeting central banks has been one of low inflation, determining causality is difficult. Empirical research from mainstream economics shows that CBI is positively *correlated* with lower rates of inflation (Alesina & Summers, 1993; Cukierman, Webb, & Neyapti, 1992), and central bankers and other supporters of CBI like to point to this research as evidence of its efficacy. But other research points to the salience of a wider institutional and political architecture committed to disinflationary outcomes—for example, deflationary fiscal policy (Hayo, 1998; Posen, 1995; Roberts, 2010)—and the breaking of organized labour in the 1980s and 1990s as more decisive factors (Hung & Thompson, 2016; Pantich & Gindin, 2012; Stansbury & Summers, 2020).

attracting internationally mobile finance capital (Gill, 1998; Harmes, 2006; Streeck, 2014) and so CBI became a useful means of signalling 'macroeconomic nominal responsibility to domestic and international investors' (Cukierman, 2008, p. 726), especially in peripheral advanced economies and emerging markets.[9] By the late 1990s, the principle of the independent, inflation-targeting central bank had become hegemonic across the West. In these ways, CBI should be interpreted as a central feature of the broader neoliberal offensive that was waged through the 1980s and 1990s: the breaking of organized labour, the liberalization of capital flows, the turn away from Keynesian forms of macroeconomic policy, the dismantling of the welfare state, and the flexibilization of labour markets went hand in hand with the depoliticization and dedemocratization of money.

3.2: Central bank independence in practice

The theoretical justifications for CBI surveyed above highlight either the impossibility of incorporating the long-run into the decision making of elected representatives bound to short-term political cycles or the inherent ignorance of both the voting public and their elected representatives as the chief reasons why the management of money and the power to create it should be in the hands of politically 'neutral' technocrats. However, the reality of CBI is far from the minimalist interpretation of independent central banks as neutral stewards of market economies that is common in the mainstream economics and policy literature and expounded by central bankers themselves. Thus, in this subsection I seek to clarify what CBI actually means *in practice* so as to shed light on whose

[9] CBI can limit the capacity of fiscal policy as a tool of macroeconomic redistribution as it theoretically removes the possibility of direct monetary financing of government debt and allows the central bank to hike interest rates to offset inflationary pressures caused by government spending. In the context of this deflationary macroeconomic policy mix, many governments have been incentivised to liberalize financial markets and flexibilize labour markets as a means of stimulating growth. However, as is well documented, such policies have driven large rises in wealth and income inequality (Aklin, Kern, & Negre, 2021; Piketty, 2014) and have increased financial instability. Perversely, the rise of the 'asset economy' (Adkins, Cooper, & Konings, 2020) over this period—in which middle- and working-class households have become increasingly dependent upon capital gains (primarily from property) to grow their wealth—has provided disinflationary economic policy with a broader social base of support (Feygin, 2021).

interests penetrate and shape independent central banks. I first consider what CBI from government means in practice, before considering the other side of the coin: CBI from finance capital. Here, drawing on the Poulantzian view of the state, I argue that independent central banks should be conceptualized as *power centres* of finance capital, institutions that primarily reflect and refract the latter's interests.

While the degree of independence from government varies in different jurisdictions, in practice it is important to note that independence from government means *operational* independence—something that central bankers themselves never tire of pointing out. The policy objectives of an independent central bank are outlined in the legal act that brings it into being, with the independent central bank subsequently responsible for implementing policy to achieve those objectives. This mandate typically includes some or all of the following objectives: (1) maintaining price stability—usually formalised as maintaining annual consumer-price inflation (however defined) to somewhere between 1–3%; (2) achieving maximum sustainable employment; (3) supporting economic development; and (4) safeguarding financial stability.

In this respect, independent central banks have a legal obligation to meet their mandates and are threatened with political 'interference' should they fail to do so. Moreover, if legislators maintain the capacity to review and revise the legal standing and remit of the central bank, central bank(er)s must tread carefully when stretching or breaking these constraints if they are to maintain independence in the long run. The Fed, for example, is subject to congressional oversight, with Congress able to amend the Federal Reserve Act, and doing so frequently since its inception in 1913 (Binder & Spindel, 2017; Mabbett & Schelkle, 2019). Other advanced-economy central banks such as the Bank of England and the Bank of Canada have a similar degree of independence to the Fed. By contrast, the ECB's status is determined by the Treaty on the Functioning of the European Union, which can only be amended with the consent of all 19 member states, allowing it to maintain more independence from democratically elected governments and to wield its power in a more overtly political manner than other advanced-economy central banks (see chapters 3 and 4).[10] It is still, however, bound by its founding legal act. Here, a key constraint is the prohibition on the ECB lending directly to governments, through either lines of credit or the direct purchase of sovereign debt. As a result, the ECB has come under intense criticism from the German Constitutional Court and from fiscal and monetary conservatives across the Eurozone, particularly in the Rhenish member-states, for its asset-purchase programs over the past decade. In these respects, while highly insulated from electoral pressure, central banks are nevertheless constrained in their policymaking scope both legally and politically (Ronkainen & Sorsa, 2018, p. 714).

Within these constraints, though, central bank(er)s enjoy considerable latitude not just in determining how to implement monetary policy, but also in interpreting policy goals and in navigating conflicts between them (van't Klooster, 2020, p. 589), a freedom and level of discretion that central bankers themselves like to underplay.[11] For example, central bankers must determine what 'maximum sustainable employment' is at any one time. In the neoliberal era this has predominantly been interpreted as the 'non-accelerating inflation rate of unemployment' (NAIRU), the calculation of which varies over space and time, but which accepts that a certain level of unemployment must be actively maintained to prevent inflation. Importantly, achieving maximum sustainable employment may at times directly conflict with the goal of price stability, as a low rate of unemployment will, in theory, stimulate wage growth. Over the neoliberal era, central bankers have asymmetrically favoured the maintenance of price stability over other goals. For example, while the Fed is mandated to 'promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates',

[10] Article 130 of the Treaty on the Functioning of the European Union states that, 'When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body'.

[11] As discussed in chapter 4, this power is further enhanced by the 'low-salience' of central bank policy, which is highly technical and complex—'hyper-scientized' even (Marcussen, 2006; Mudge & Vauchez, 2016)—and thus little understood by the public. The low saliency of central bank policy reaches its apotheosis in lender-of-last-resort facilities, as discussed in chapter 3.

it has demonstrated a consistent bias towards the maintenance of stable prices at the expense of maximum sustainable employment. Meanwhile, the ECB, modelled on the famously hawkish Bundesbank, is entrusted with the singular task of maintaining price stability.[12] How central bankers interpret their policy priorities, and what trade-offs are made between them, has significant distributional effects—for example, a decision to raise interest rates to reduce inflation will likely generate higher unemployment.[13] This latitude for interpreting policy goals, making decisions on trade-offs, and in policy implementation gives central bank(er)s considerable power to affect the distribution of wealth and to shape economic development, a point that is frequently underplayed by central bankers and in the pro-CBI literature.

So far, I have considered what CBI *from government* means in practice. However, freeing central bank(er)s from governmental 'interference', and thus insulating the management of money from the whims of democracy, is only one half of independence. The other half concerns central bank(er)s relationship with the private banking system—that is, with finance capital. While central banks are today relatively well insulated from elected government and the voting public, they are deeply tied to finance capital and overwhelmingly reflect and refract the latter's interests. I have already noted the historic organic connections between central banks and finance capital. But to get a bearing on why independent central banks work as power centres of finance capital today it is also

[12] Federal Reserve Act, Section 2A; Treaty on the Functioning of the European Union, Article 127(1). This emphasis on price stability at the Fed and ECB is consistent with other major central banks. The Bank of England, for example, is mandated to 'maintain price stability' first, and 'subject to that', to 'support the economic policy' of the government, including its employment and growth objectives: Bank of England Act 1998, Section 11.

[13] The inflation-targeting central bank targets an inflation range or point via its control over the rate at which banks trade liquidity. The transmission mechanism of monetary policy—the transmission of short-term interest rates to wider macroeconomic indicators such as consumer-price inflation—is notoriously complex. Broadly speaking, though, it affects economic development by indirectly influencing investment and consumption behaviour. For example, if the central bank wishes to push inflation up, it will lower the rate at which it lends to banks overnight and will purchase securities in open-market operations. This has the effect of pushing down longer-term interest rates, theoretically encouraging an upswing in credit creation and investment.

necessary to explore the core channels through which this fraction of capital exerts political-economic power and influences central bank policy.

First, there is the organized nature of the big banks and their capacity to utilise vast financial resources to steer policy—for example, in bank regulation—towards desired outcomes through lobbying, regulatory capture, and influence over the career path of central bankers themselves (Adolph, 2013; Jacobs & King, 2016; Kalaitzake, 2017; Pagliari & Young, 2015; Young, 2012). For example, it has been argued that such instrumental power—'the strategic mobilization and political engagement of actors to directly influence policy outcomes' (Kalaitzake, 2019, p. 225)—partially explains why financial institutions were able to resist significant reregulation in the wake of the GFC (Kalaitzake, 2017; Pagliari & Young, 2015; Young, 2012). The instrumental power of finance over central bank policy is enhanced by the ubiquitous revolving doors between the financial sector and central banks—with individuals with experience in the financial sector taking positions at central banks and outgoing central bankers often assuming lucrative positions at private firms (Adolph, 2013; Jacobs & King, 2016; Kalaitzake, 2019).[14] The core decision-making bodies at the Fed and the ECB, for example, are comprised of appointed officials, often with backgrounds in finance. Illustratively, in a survey of the personnel of the Executive Board of the ECB, Kalaitzake (2019, p. 228) finds that 15 of the 19 members since its inception in 1998 came from, or went on to, the private financial sector, with most of these people having held, or coming to hold, senior positions at major financial firms. And in a wider-ranging study of the career trajectories and policy preferences of central bankers, Adolph (2013) finds that central bankers who either began their careers in the private financial sector or went

[14] High-profile post-GFC examples include former president of the New York Fed Timothy Geithner assuming the role of president of Warburg Pincus, a Wall Street private equity firm; former governor of the Bank of England Mark Carney taking a role as vice-chair of Brookfield, a large Canadian asset-management firm; and former chair of the Federal Reserve Ben Bernanke taking senior adviser roles at the large American hedge fund Citadel and the giant asset-management firm PIMCO.

into it following their time at a central bank favour tighter monetary policy than those with backgrounds in public service.[15]

Second, there is the structural power of finance capital, which, while more opaque, derives from the dependence of the state upon finance capital to fund its expenditure and to generate investment (Culpepper & Reinke, 2014, p. 429). Structural power flows from the centrality of investors in capitalism and the potential power they wield, on aggregate, through the threat of capital flight, 'too big to fail', and the reliance of states on them for funding (Culpepper & Reinke, 2014; Kalaitzake, 2017; Streeck, 2014; Woll, 2016). Unlike instrumental power, structural power is not necessarily exercised through direct political intent on the part of finance capital, although it may be (Culpepper & Reinke, 2014, p. 430; Kalaitzake, 2019, p. 233). Rather, structural power flows from the strategically favourable terrain that finance capital occupies, usually influencing policymaking indirectly. For example, it is the *threat* of capital flight, or the *knowledge* of the disastrous consequences that allowing a systemically important financial institution to fail might have that exerts pressure upon central bankers to develop policies favourable to finance capital.[16] For central bank(er)s, this latter issue was a decisive factor in the management of the GFC, particularly after the failure of Lehman Brothers (Geithner, 2014), while the threat of capital flight or a 'bondholder strike' was formative during the Eurozone Crisis, with the ECB consistently arguing against imposing haircuts on bondholders during its early stages (Fontan, 2018; Tooze, 2018a).

Third, as noted in section 2, there is also the infrastructural power of finance (Braun, 2020b). Braun takes the concept of infrastructural power from the work of Michael Mann, who juxtaposes it to 'despotic power'—the capacity of the state to act unilaterally and without consent. In contrast,

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[15] Adolph traces this along two lines: (1) 'career socialization'—the ways in which career backgrounds, such as a history in the financial sector, shape policy preferences and ideas; and (2) 'career incentives'—the prospects for future career advancement (Adolph, 2013, pp. 15-20).

[16] These developments were theorized by Poulantzas (1974) as the 'internationalization of the state': globalization sees the state, as the material condensation of the balance of social forces, increasingly reflect and refract the interests of internationally mobile finance capital—the interests of the 'international bourgeoisie' (Poulantzas, 1974).

infrastructural power refers to the capacity of the state to 'penetrate civil society and implement its actions across its territories' (M. Mann, 2008, p. 355), and is thus a more resilient and embedded form of power. However, for Mann, infrastructural power cuts both ways, also 'enabling civil society parties to control the state' (M. Mann, 1993, p. 59). As we have already seen, that central banks are participants in private financial markets means they are, as Braun (2020b) puts it, 'infrastructurally entangled' with private finance. On the one hand, this can be seen to enhance state capacity, enabling the central bank to govern through the infrastructure of the banking system. On the other hand, as Braun (2020b) points out, it enhances the power of finance capital, whose interests and preferences travel 'back through' the infrastructural architecture of central bank policy implementation to influence central bank policy formulation. In addition to the everyday infrastructural entanglement of central banks and finance capital, spectacular examples of how this infrastructural entanglement can benefit the latter include the New York Fed awarding the contract to manage the 'Maiden Lane' portfolios—an initiative to ensure the orderly wind-down of American International Group's assets during the GFC—to the US asset-management firm BlackRock in 2008. More dramatically, as Covid-19 struck, the New York Fed outsourced the huge mortgage-backed securities purchase programs and corporate credit facilities launched in late March 2020, totalling hundreds of billions of dollars, to BlackRock, by that stage the largest asset manager in the world (Braun, 2020a, p. 24).[17] Thus, while the infrastructural entanglement between the central bank and finance capital enables the former to more effectively achieve its policy aims, it also joins the two at the hip.

In addition to these three forms of political-economic power by which finance capital exercises influence over and through central banks, central bankers themselves share with finance capital a common ideological and intellectual universe. For example, central bankers and financial-market

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[17] According to the New York Fed, 'BlackRock was selected for this role after considering its expertise with purchasing large amounts of all relevant types of corporate debt issuance and corporate bonds in the secondary market, deep knowledge and substantial experience in the corporate debt markets, and robust operational and technological capabilities'. See: https://www.newyorkfed.org/markets/secondary-market-corporate-credit-facility

professionals draw on similar economic paradigms and share in the same economic imaginaries, a point well supported in research on epistemic communities in international policymaking (e.g., Ban, Seabrooke, & Freitas, 2016; King, 2005; Westermeier, 2018). They also rely on one another to share specialized technical knowledge—for instance, central bankers rely on market participants to share important information on market conditions when making policy decisions. This helps further propagate a shared economic imaginary and is another incentive for central bankers to maintain close personal and professional connections with private finance. No equivalent, meaningfully counter-balancing connections with other social forces exist—for example, central banks have few, if any, connections to, or representatives of, organized labour. In this respect, the internal make-up of the independent central bank is itself highly unrepresentative.

In these ways, and in contrast to their relatively effective insulation from democratic pressures, central banks are far less 'independent' of finance capital and this helps to explain their structural bias towards the interests of the latter (see chapter 3). Thus, while central banks are public–private institutions that must balance a set of conflicting interests and goals, they can also be conceptualized as *power centres* of finance capital, institutions that are, in the words of Joseph Vogl, 'strategically geared to the demands of the financial markets and their agents', and operate as 'essential organs for the stabilization and preservation of capitalist structures of financing' (Vogl, 2017, pp. 130, 107). Following the Poulantzian view of the state, this should not be taken to mean that central banks are totally submissive to, or passively reflect, the will of finance capital, a position that critics like Vogl fall into in their treatment of the issue. As discussed above, the independent central bank must ultimately maintain legitimacy in the eyes of the government if it is to retain independence over the long run. More fundamentally, as public–private institutions, central banks enjoy relative autonomy from finance capital. This means that they are able to (potentially) overcome the coordination problems that arise due to the disorganized and often conflictual nature of the capitalist classes and the need to maintain stability in the wider socio-economic order. And here, the central bank's location at the top of the money hierarchy provides it with a significant and powerful source of leverage over finance capital, which is ultimately dependent on the central bank for liquidity.

Central banks, then, while penetrated by and deeply enmeshed with finance capital, and structurally favouring the latter's interests, are powerful market actors in their own right, capable of exercising agency 'by changing how they transact with private counterparties, by privileging certain types of financial instruments over others, by building up entire market segments, or by lobbying governments for policy changes' (Braun, Krampf, et al., 2021, p. 8). In this way, too, central banks are sites of potential hegemonic struggle in that they need not systematically preference the interests of finance capital. Returning to Poulantzas, that central banks do overwhelmingly preference the interests of finance capital in our current age is ultimately a reflection of the wider balance of social forces, with capital enjoying—to borrow a phrase from the US military—full-spectrum dominance.

Chapter Summary

I have sought in this chapter to get a bearing on the institutional form and strategic orientations of modern advanced-economy central banks. In doing so, I have forwarded two interlinked arguments. First, I have argued that central banks such as the ECB and the Fed should be conceptualized as hybrid institutions or *public–private governors*. As a public–private governor, the central bank exercises power courtesy of its position at the apex of the money hierarchy (Mehrling, 2013b) and governs financial markets by participating in them as a market player (Braun, 2020b; Braun, Krampf, et al., 2021; Hellwig, 2014). I have argued that the central bank can be conceptualized here as standing 'between' state and market, working to maintain stability in the value of money and to stabilize capitalist structures of finance in the interests of both. On the one hand, the state relies upon private capital to finance its expenditure; on the other hand, finance capital relies upon the state to reduce epistemic uncertainty, to 'derisk' systemically important market structures and behaviours, and to provide liquidity in times of crisis. The central bank is the key conduit between these two spheres.

Second, extending upon this analysis, and drawing on Poulantzas's and Jessop's sociology of the capitalist state, I have argued that the formally independent central banks of the neoliberal era are important institutions in the (re)production of a strategically biased terrain that favours the advancement of the interests of finance capital. I have suggested that inasmuch as they are public–private governors, subject to a set of competing demands and burdened with a set of sometimes conflictual tasks, central banks can nevertheless be conceptualized as *power centres* of finance capital. In developing this claim, I have traversed the main theoretical arguments for CBI and illuminated the neoliberal and technocratic dimensions of these arguments. I have also sought to clarify how CBI from government tends to work in practice, and to highlight the multiple and deep interconnections between central bank(er)s and finance capital. I seek to substantiate this theorization of modern central banks through my analysis of the crisis-era interventions of the ECB and the Fed in chapter 3 and the post-crisis discourse of central bankers in chapters 4 and 5. The next chapter, however, seeks to get a bearing on the major financial crises of the past decade and the structural forces that have driven these ruptures.

CHAPTER 2: POLITICAL-ECONOMIC AND INSTITUTIONAL ROOTS OF THE CRISIS

The Great Financial Crisis (GFC) of 2007–2009 and the ensuing Eurozone Crisis (EC) of 2009–2015 catalysed a period of significant and ongoing economic, political, and social turmoil across the West. As I argued in the thesis introduction, this era of turmoil can be conceptualized as both symptomatic and productive of an organic crisis of neoliberal financial capitalism. Yet the Western policy establishment has largely failed to internalize just how deep the crisis runs. As such, the structural causes of these great ruptures have not been addressed and elites have been unable to chart a line of flight out of the post-GFC impasse. For their part, leading central bankers such as Ben Bernanke (2015) of the Federal Reserve System (Fed), Jean-Claude Trichet (2010c) of the European Central Bank (ECB), and Mark Carney (2021) of the Bank of England have typically understood the GFC as a 'classic financial panic' caused by the build-up of systemic risk, which was itself driven by the immoral and greedy conduct of some bankers, the development of overly complex and opaque financial instruments, complacent regulation, and a number of macroeconomic imbalances in the global system. Meanwhile, the EC was diagnosed by the European policy establishment primarily in moralizing terms, initially framed as a sovereign-debt crisis caused by fiscal mismanagement (Blyth, 2013), although this framing has been somewhat moderated in recent years (Ferrara, 2020). The policy response to these crises—beyond the immediate crisis-fighting measures—has been ongoing monetary stimulus to reflate Western economies and the selective re-regulation of the financial sector, through, for example, the development of Basel III (a set of global regulatory standards for banks) and the deployment of the macroprudential approach (pre-emptive regulatory intervention to manage systemic risk). But prior to the Covid-19 pandemic, the fiscal and structural policy response has been characterized by lacklustre stimulus or plainly procyclical austerity, further neoliberal structural reform, and, in the case of the Eurozone, a push to strengthen the institutional architecture of the monetary union.

In contrast to the mainstream economics and policy literatures, a large body of scholarship from a variety of critical political economy traditions—principally, post-Keynesian economics, International Political Economy (IPE), and Marxist political economy—has identified the roots of these two crises, and by extension the Covid-19-induced financial panic of March/April 2020, in the *structural foundations* of neoliberal financial capitalism. In addition to the issues of poor regulation, creative financial engineering, a failure of risk management in the private sector, and global financial imbalances highlighted by the policy establishment, critical political economists have argued that the accumulation and distribution patterns, chronic institutional deficiencies, and class-power dynamics of neoliberal financial capitalism lie at the root of the GFC and the EC and their ongoing fallout.

In this chapter, I provide a wide-ranging review of both the mainstream and the critical literatures on these crises in order to develop a synthetic account of the forces that drove their development and continue to underpin the contemporary political economy. In traversing these varied bodies of literature, this chapter accomplishes three things. First, I provide the reader with a narrative overview of these crises and the forces that drove their development. Second, and more substantively, I tie these crises of modern finance to the wider political-economic and institutional terrain from which they have emerged. I argue that the GFC and EC, and by extension the Covid-19 panic, while spatially particular and uneven in their causes and effects, should be understood to be deeply rooted in the political-economic and institutional fabric of neoliberal financial capitalism—that is, as *organic* developments of this (variegated) regime. In conjunction with the critical view of modern central banks developed in the previous chapter, then, this discussion provides an important conceptual and contextual foundation for my analysis of central bank intervention and central bank discourse in later chapters. Specifically, in getting a bearing on the proximate and structural drivers of these crises we are better equipped to examine how central banks have responded to the GFC, the Eurozone Crisis, and the Covid-19 panic, to interpret what these responses tell us about economic governance and ideology in 21st-century capitalism, and to analyse how central bank(er)s have sought to make sense of this period. The third, more ancillary accomplishment of this chapter is to demonstrate that it is illuminating to take a wide-ranging approach to the literature when getting to grips with these crises of 21st-century capitalism, as no one theoretical tradition provides us with a wholly sufficient account. While the picture that I develop here inevitably remains partial and schematic in parts, as the issues at hand are simply too large and multifaceted to cover in a single chapter, I nevertheless hope to show that by drawing on diverse bodies of literature we can arrive at a more complete understanding of these crises and their causes.

Taking this synthetic approach to the literature does, however, call for a clarification on exactly what separates 'mainstream economics' from 'critical political economy'. While this question is the subject of debate within critical political economy (mainstream economics remains, for the most part, happily oblivious), for the purposes of this thesis I use the distinction drawn by the critical realist philosopher Tony Lawson (2006, 2013), who identifies the central difference between mainstream economics—which encompasses both orthodox academic economics and the work of the policy establishment—and critical political economy as one of *method* (cf., Hein, 2017; Milonakis, 2017; O'Boyle & McDonough, 2016). As Lawson argues, mainstream economics typically approaches the social world as a closed system, comprised of isolatable objects of study, in which event regularities occur, meaning that social reality can be accurately apprehended via mathematical modelling and deductive reasoning.[1] In this way, mainstream economics shares the fundamental epistemological starting points of the ideology of technocracy, detailed in the thesis introduction. By contrast, critical political economy, in its various guises, approaches the social world as an open system, characterized by complex inter-relationality, in which meaning is polyvalent and precarious, and which therefore needs to be studied from a wide range of perspectives and using a wide range of tools, including, but not limited to, mathematical modelling (Lawson, 2006, pp. 495-497; Slade-Caffarel, 2019, p. 520). But while Lawson largely dismisses the work of mainstream economics as irrelevant because of its narrow orientation in method, I maintain that significant contributions are made within this field, particularly

[1] Or, working backwards, if mathematical modelling is to be reliable then the object of analysis must be a closed system in which independent and dependent variables can be isolated and in which 'regularities that connect events standing in causal sequence' are observable (Lawson, 2009, p. 763). In other words, this orientation in method is itself rooted in particular ontological and epistemological foundations.

in empirically focused work. Indeed, a nuanced understanding of the crises under discussion is impossible to attain without reference to this literature.

It is also necessary to briefly clarify the differences in focus between the critical political economy traditions of post-Keynesian economics, IPE, and Marxist political economy that I survey in this chapter. While not an exhaustive list of critical political economy traditions, these schools of thought, which overlap and intertwine across multiple axes, represent the chief alternatives to mainstream economics today. To the first, rooted in the theoretical tradition of Keynes, Kalecki, and Minsky, post-Keynesian scholars view capitalist market economies as inherently unstable, power-laden, and prone to under-consumption (Arestis, 1996; Hein, 2017). Thus, the post-Keynesian scholarship on the GFC and its aftermath surveyed in this chapter tends to focus on investment behaviour and effective-demand formation and its articulation in particular 'demand regimes' (Stockhammer & Kohler, 2019). Second, often mobilizing post-Keynesian insights, IPE scholars highlight the wider institutional dimensions and 'stickiness' of variegated neoliberalism, taking the analysis of the causes of the crisis beyond macroeconomic factors, a task which includes incorporating the role of economic ideas and ideology into analysis. Importantly, sharing with post-Keynesians an intellectual debt to Minsky's theory of endogenous instability in finance, and utilizing post-Keynesian conceptions of money, IPE scholars, particularly those associated with the burgeoning school of 'critical macro-finance' (see Gabor, 2020), foreground the institutional structure and practices of global finance over the neoliberal era in their explanations of these crises, providing comparative studies of financial-sector developments in different economies and how these are intertwined with, and enabled by, the development of particular governance regimes. Finally, Marxist-oriented scholars link the hypertrophy of finance to long-standing contradictions of post-war capitalism (Basu & Vasudevan, 2013) and bring relations of class power firmly into view in the analysis of the GFC, the EC, and their ongoing fallout.

The remainder of the chapter is organized as follows. To orient the reader, the first section provides a narrative overview of the Great Financial Crisis, the Eurozone Crisis, and the Covid-19-

induced financial panic of March/April 2020. The second section examines the key contributions of the mainstream and critical literatures to our understanding of the proximate and structural causes of the GFC. The third section then examines research from the mainstream and critical literatures on the proximate and structural causes of the EC. A brief summary section concludes.

1: Overview of the Crises

In this section, I provide a brief narrative overview of the GFC, the EC, and the Covid-19 panic to help orient the reader. As is well known, the direct trigger of the Great Financial Crisis was the deflation of the US subprime-mortgage bubble in 2006 and 2007, which was sparked by growing numbers of defaults by subprime-mortgage holders. The share of the US mortgage market made up of subprime grew from around 8% in 2001 to around 20% in 2006 (Demyanyk & van Hemert, 2009, p. 1875), with around $2.5 trillion worth of subprime mortgages originated over this period (Gorton & Metrick, 2012, p. 430). This surge in subprime lending took place in the context of a wider real-estate bubble in the US, with total mortgage debt outstanding (residential, farm, and commercial) exploding from $6.75 trillion in 2000 to $14.66 trillion in 2007 (Ivanova, 2016, p. 12). Securitization of subprime mortgages was common practice, with these assets traded internationally and European and UK banks investing particularly heavily in them (Tooze, 2018a). House prices started to flatline and then decline in some places in 2006, with housing bubbles in Spain, Ireland, and the UK also starting to deflate through 2007 (Tooze, 2018a, p. 144). At the same time, subprime-mortgage holders with variable-interest-rate loans in the US saw a sharp uptick in interest payments, making a wave of defaults likely (Tooze, 2018a, p. 71). Following these developments, a general collapse of faith in the value of subprime-related assets began to spread through international financial markets.

While subprime mortgages were the spark for the crisis, the crisis itself was centred around the *funding* side of the US–European banking and shadow banking systems. Thus, the initial panic over subprime-related assets caused convulsions in the international money markets upon which financial firms were heavily reliant to meet their daily funding needs, beginning in mid-2007 and accelerating through 2008. Here, direct exposure to subprime-related assets became increasingly immaterial to the ability to access funding, with general panic setting in. Indeed, after the collapse of the US investment bank Lehman Brothers in mid-September 2008, even the best run banks were threatened with annihilation. In this respect, the GFC can be conceptualized as a 'global bank run' centred around wholesale money markets (Bernanke, 2015; Gorton & Metrick, 2012; Tooze, 2018a).

This global bank run caused lending to the real sector to dry up and consumer demand to plummet across the globe, generating the worst global recession since the Great Depression (until the recession engendered in early 2020 by the Covid-19 pandemic) and huge increases in unemployment across Western democracies. The GFC was resolved through a combination of extraordinary liquidity provision by central banks to the financial system (see chapter 3) and government-led recapitalization of major financial institutions, which prevented the complete collapse of the financial system. The economic recovery, while extremely sluggish in most advanced economies due in large part to underwhelming fiscal support, was principally enabled by an unprecedented fiscal stimulus in China in 2009, which buoyed the world economy.

The Eurozone Crisis was a complex political-economic crisis, sparked by the GFC, but which played out as a sequence of country-specific debt crises among Eurozone member-states from 2009–2015, although its root causes remain unresolved today (see section 3). In Greece, ground-zero of the EC, the government faced surging interest payments on its very high debt burden after the poor state of its accounts became known to financial markets in late 2009, causing yields to rise. As yields rose, the value of Greek sovereign debt declined and Greek banks, which held large quantities of this debt, saw their balance-sheets deflate. This caused the widespread withdrawal of foreign and domestic funding from Greek banks (bank runs), threatening to bring down the banking system and, by extension, further threatening the solvency of the Greek state. However, it was not only Greek banks that had invested in Greek government debt—and the debt of other distressed peripheral Eurozone member-states—with these assets widely held across the European banking system.

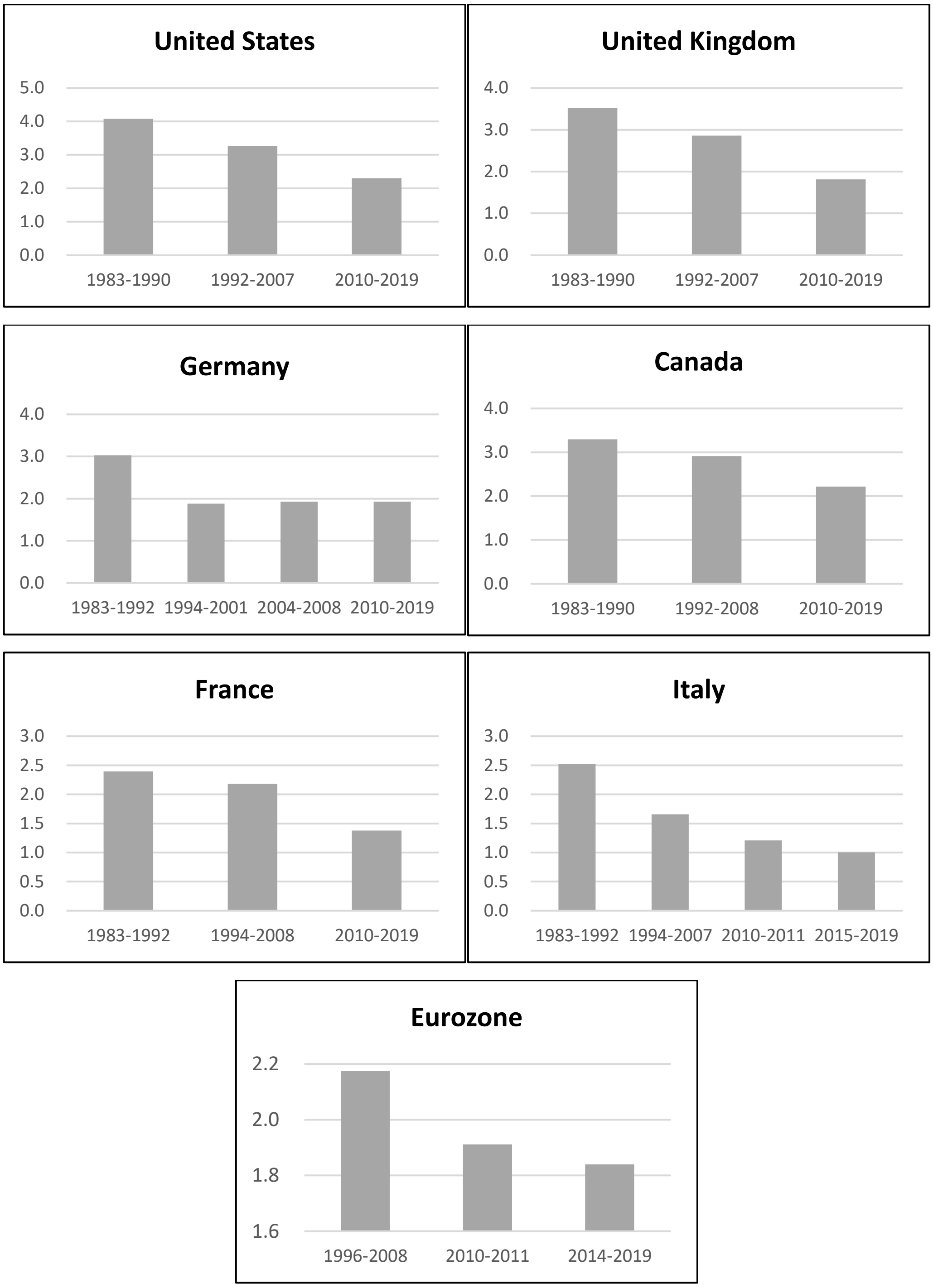
By contrast, Ireland, another epicentre of the EC, saw a gigantic housing bubble inflate through the 2000s, with household and private-sector debt as a percentage of GDP rising from 120% in 2002 to more than 300% in 2009 (Schelkle, 2017, p. 161). The under-capitalized Irish banking system, on the brink of collapse in 2008 and 2009, was bailed out by the Irish government; combined with the cost of automatic stabilizers activated by the recession, the Irish state's debt-servicing burden ballooned. Similar dynamics to those experienced in Ireland were operative in Spain and Cyprus (see Schelkle, 2017, pp. 163-166). In both the Greek and Irish cases, and across the other troubled Eurozone countries—Portugal, Cyprus, Spain, and Italy—one of the key problems was the toxic interconnections between the sovereign debt of these countries and their domestic banking systems, and in turn the large quantities of toxic debt held in the wider European banking system.

A complex set of political tensions, institutional deficiencies, and class power dynamics hampered the development of an effective European response to these variegated debt crises and the systemic political-economic tensions they caused, issues I elaborate on in section 3. This meant that the currency union experienced a further recession through 2011–2013. In combination with the lack of solidarity displayed by northern member-states unwilling to provide unconditional financial relief to the (predominantly) southern member-states experiencing debt crises, this exacerbated political tensions and euro-scepticism across the continent. Ultimately, five member-states (Greece, Ireland, Portugal, Spain, and Cyprus) ended up receiving conditional bailouts through a mixture of lending facilities set up by European authorities and the International Monetary Fund. Here, the ECB was instrumental in bringing the acute phase of the crisis to an end by launching Outright Monetary Transactions (a conditional program under which the ECB could purchase large quantities of sovereign debt) in 2012, and 'quantitative easing' or 'QE'—purchasing sovereign debt *en masse* in the secondary market—in early 2015. These interventions by the ECB reduced pressure on the southern member-states by putting downward pressure on yields.

The economic recovery following the GFC—and for the Eurozone, the double-dip recession caused by the EC—was anaemic across most of the West. Post-crisis stagnation is visible, for example, in the weak GDP growth rates across the major advanced economies through the recovery from 2009–2019 (see Figure 2.1). In the US, this expansion, while long (lasting up until the outbreak of Covid-19 in early 2020), was also the weakest in the post-war era, while the same was true for other major advanced economies. In the Eurozone and the UK, economic growth was exceptionally poor following the financial crisis, remaining in some countries, prior to the pandemic, below 2008 levels. For instance, in both Greece and Italy, real GDP in 2018 remained below 2008 levels; for Portugal and Spain it was not until 2017 that real GDP growth exceeded 2008 levels; and even the Netherlands only exceeded 2008 levels by 2015 (Hein, 2019). Stagnation is also visible in the sluggish nature of the job market in many advanced economies in the wake of the GFC. In the US, for example, the unemployment rate did not fall back to pre-crisis levels until 2016, while in many European countries, unemployment remained significantly higher than pre-crisis levels even before the outbreak of Covid-19.

The lacklustre recovery in the US was partly the result of the undersized fiscal stimulus passed by the Obama administration in 2009, austerity at the state level, and Republican Party intransigence after the midterm elections in 2010 in which the GOP regained control of the House. As various authors have shown, in the aftermath of the GFC corporate profitability in the US has remained high (Basu & Vasudevan, 2013; Duménil & Lévy, 2011; Durand, 2017; Kotz, 2019), so there has been little will from 'above' for sustained fiscal activism or redistribution of the kind that might stimulate more broad-based economic growth, at least until the pandemic. In both the Eurozone and the UK, deflationary fiscal austerity frustrated economic recovery and intensified the misery of many working people. However, it is also clear from Figure 2.1 that growth rates have been declining on average over the neoliberal era, suggesting that longer-term structural issues may also be a factor, a hot point of contention in both the economics and critical political economy literatures.

Figure 2.1. Annual GDP growth over expansions, major Western economies, 1983–2019.



Notes: Real GDP growth, constant prices.

Source: OECD statistics: https://stats.oecd.org/

In the context of over a decade of financial turmoil, controversial and politically toxic interventions to protect the banking sector, rising income and wealth inequality, high levels of unemployment and underemployment, and a generalized decline of economic dynamism across the West, the outbreak of Covid-19 came close to torpedoing the global financial system in March 2020. Financial markets began a flight to safe assets in February 2020 in response to the explosive spread of the virus and on Monday 9 March the American stock market crashed and full-scale panic set in. Here, a general flight to safety turned into what has come to be called the 'dash for cash' as investors sold off everything in a mass run to the dollar that was exacerbated by technical problems in the then-$17 trillion US Treasury market (Logan, 2020). Foreign holders of US government debt, American money market mutual funds, and highly leveraged 'relative value' hedge funds all scrambled to liquidate their stocks of US Treasuries in exchange for dollars, but found an increasingly illiquid and erratic market (Tooze, 2021, pp. 116-118) as dealers—the middle-men housed inside the big banks who act as market-makers—were overwhelmed (Duffie, 2020).[2]

In this context, the Treasury market ceased to be functional, with sellers finding it difficult to find buyers at stable prices. The VIX index, which tracks market volatility and is widely used as an indicator of 'fear' in financial markets, reached an all-time high on 16 March as the regular relationships between asset prices that traders base their activity on broke down; most significantly, while sell-offs in the stock market typically induce rising bond prices, both began to decline in tandem (FSB, 2020, pp. 7-8). As the deepest and most liquid asset market in the world, which sets the tone for price discovery in other major markets and acts as the global safe-haven asset, the troubles in the US Treasury market presented an existential threat to the global financial system. The panic was staunched by extraordinary action from the major central banks, above all the Fed, which reactivated its GFC-era facilities, created new ones on the fly, and launched a huge asset-purchase program to lubricate the Treasury market. The speed and scale at which central banks responded was striking. While it had taken the major central banks years to work out how to manage the GFC and the EC, it took less than two weeks from mid-March for the Fed, the ECB, and the Bank of England, among

2 Relative value hedge funds use leverage to profit from small price fluctuations in securities markets.

others, to set in place a range of facilities and programs that would calm the panic. I explore these interventions in more detail in chapter 3.

Having provided this schematic overview of the 'crisis sequence' that began in 2007, the following sections consider the expansive literatures from mainstream economics and critical political economy on the proximate and structural drivers of these crises.

2: The Great Financial Crisis

In this section, I draw on literature from both mainstream economics and critical political economy to detail the key proximate and structural drivers of the GFC. While the literature from mainstream economics and the policy establishment identifies important proximate causes of the GFC, it typically fails to examine the deeper political-economic and institutional developments that have driven the rise of global finance and financialization in the first place. In contrast, critical political economists from post-Keynesian, IPE, and Marxist schools of thought have shown how the hypertrophy of global finance over the past three decades has been driven by the turn to neoliberalism. I therefore argue that both the GFC and the Eurozone Crisis can be conceptualized as crises *organic to* neoliberal financial capitalism as a socio-economic system.

2.1: Proximate causes: contributions from mainstream economics

As is well-known, the accumulation of risk in the financial sector was widely misunderstood by both policymakers and mainstream economists in the years preceding the crisis (Acharya, Schnabl, & Suarez, 2013; Bernanke, 2015; Blinder, 2013; Geithner, 2014; Stiglitz, 2018; Wolf, 2015). Perhaps most significantly, banks and shadow banks—financial entities that mimic the behaviour of commercial banks but are not subject to the same regulations and supervision—were chronically reliant on access to wholesale funding to finance their balance sheets (Acharya, Philippon, Richardson, & Roubini, 2009; BIS, 2009; Gorton & Metrick, 2012). For example, prior to the GFC, the big three American investment banks, Merrill Lynch, Morgan Stanley, and Goldman Sachs, relied on repos (see chapter 1, footnote 5) for around 40% of their funding, while Lehman Brothers relied on repos to fund almost 50% of its $691 billion balance sheet (Tooze, 2018a, p. 62). These loans, often as short as overnight, were used to finance the purchase of assets such as mortgage-backed securities (MBS) and associated derivatives, generating large maturity mismatches on the balance sheets of these institutions.

This reliance on short-term funding combined with excessively high leverage across the board (Acharya et al., 2009; Admati & Hellwig, 2013; Bernanke, 2015; Blinder, 2013; Geithner, 2014; Tooze, 2018a; Wolf, 2015). In the US, leverage was highest in the shadow banking sector. For example, by the end of 2007, capital reserves at the five stand-alone American investment banks were only 3% of total assets (Geithner, 2014, p. 96). In the commercial banking sector, it was the European banks that were the most highly leveraged: going into 2008, UBS, Barclays, and Deutsche Bank all had asset-to-equity ratios of over 40 to 1 (Cecchetti, 2013, p. 4; Tooze, 2018a, p. 88). Thus, when wholesale money markets froze in September 2008, forcing fire sales, some banks were at risk of becoming insolvent in a matter of days.

Contributing to these vulnerabilities was the inability to accurately assess financial sector risk and poor regulatory regimes on both sides of the North Atlantic. Key factors here were: (1) a false assumption that MBS were effectively risk-free assets; (2) the proliferation of off-balance sheet holdings that made it difficult for firms to accurately determine the strength of their balance sheets; (3) the opaque nature of many securitized financial instruments and associated derivatives—particularly the infamous collateralized debt obligations—which made valuation difficult, compounding panic tendencies when the credit crunch set in; (4) the fact that the ratings agencies consistently handed out high ratings to poor-quality financial instruments such as those associated with subprime mortgages; (5) a poorly understood and under-regulated shadow banking sector; (6) insufficient capital adequacy standards for banks; and (7) a failure on the part of regulators to understand 'systemic risk' (Acharya et al., 2013; Bernanke, 2010c; BIS, 2009; Blinder, 2013; Geithner, 2014; Tucker, 2019; Wolf, 2015).[3]

In sum, there was a fundamentally flawed regulatory architecture centred around a hubristic belief in the efficacy of market discipline. As Bernanke (2010c) noted in retrospect: 'Almost universally, economists failed to predict the nature, timing, or severity of the crisis; and those few who issued early warnings generally identified only isolated weaknesses in the system'. The few who did raise concerns were also ignored or shouted down. Famously, in 2005 Raghuram Rajan, then chief economist of the IMF and later to become governor of the Reserve Bank of India, presented a paper at the annual central bankers' conference at Jackson Hole, Wyoming, where he raised the issue of growing systemic risk in the financial sector (Rajan, 2005). Rajan's paper was dismissed by conference attendees, most notably by Larry Summers, former US Secretary of the Treasury under Clinton, who admonished Rajan that to even discuss such risks was to resist progress (Tooze, 2018a, p. 67).

However, the build-up of risk in the financial sector was also driven at a more fundamental level by the development of a global credit boom in the early 2000s. This credit boom was facilitated, in part, by the large inflow of capital to the US from East Asia through the early 2000s. This was explained in the economics literature at the time as the result of a 'savings glut' in East Asia, a thesis initially propagated by Bernanke. Bernanke (2005) argued that a massive net inflow of capital from East Asia was going into US bonds, driving American bond prices up and yields down and putting downward pressure on real interest rates. This net inflow totalled around $1.7 trillion in the period from March 2000 to mid-2007, much of it going into US Treasuries (Borio & Disyatat, 2011; McCauley, 2018). By putting downward pressure on real interest rates, driving bond prices up, and stimulating investment in real estate and construction, this is argued to have partially driven 'a credit-financed boom' in the US (Borio & Disyatat, 2011, pp. 3-4).

[3] An important factor in this last point was the dominant economic models used by regulators, in which liquidity was assumed to be a free good (Stiglitz, 2018). Essentially, in the dynamic stochastic general equilibrium (DSGE) models used prior to 2008, the GFC could not happen.

However, as the path-breaking work from economists at the Bank for International Settlements (e.g., Borio & Disyatat, 2011; McCauley, 2018; Shin, 2017) and the seminal contribution of Adam Tooze (2018a) have shown, far more significant was the explosion in *gross* capital flows between the US and Europe (including the UK) over the same period. Global gross capital flows (inflows plus outflows) exploded from the late 1990s, particularly between advanced economies (Borio & Disyatat, 2011, p. 13), with the stock of banks' foreign claims more than tripling from $10 trillion in 2000 to $34 trillion in 2007 (Borio & Disyatat, 2011, p. 16). Crucially, European banks borrowed heavily in dollars from American banks and American money market mutual funds in the 2000s—the dollar assets of European banks rising to around $8 trillion by 2008 (Borio & Disyatat, 2011, p. 18)—and used these funds to invest in US-originated mortgage-backed securities and associated derivatives (so-called 'round tripping') (Avdjiev, McCauley, & Shin, 2015; McCauley, 2018; Shin, 2012).[4] As with the influx of capital from East Asia, this propelled credit consumption in the US and knitted the balance sheets of US and European banks tightly together. While the net inflow from Europe was smaller than that from East Asia (at $0.7 trillion), it was heavily channelled into the financial instruments that triggered the crisis (McCauley, 2018, p. 51). More importantly, the gross flows were orders of magnitude greater, facilitated in part by the Fed's easy monetary policy under Alan Greenspan (Acharya et al., 2009; BIS, 2009; Borio & Disyatat, 2011), and it was these huge quantities of credit that had to be rolled over on a daily basis between European and American banks which froze up in 2008 (Tooze, 2018a).

But it is here that mainstream analyses of the cause of the Great Financial Crisis tend to stop. The GFC is widely understood as a financial panic or global bank run, ultimately caused by the ensuing build-up of systemic risk in the financial system. As Bernanke noted in a speech to the American Economic Association in the final months of his tenure as chair of the Fed, the GFC 'bore a strong

[4] As I explore in chapter 5, these insights of the BIS represent an important break in how global finance is conceptualized. They also present a challenge to some post-Keynesian and Marxian understandings of global imbalances and international financial fragilities, which tend to focus on the current account and imbalances between deficit and surplus countries (e.g., Brenner, 2009; Hein, 2012; Stockhammer, 2016).

family resemblance to a classic financial panic except that it took place in the complex environment of the 21st century global financial system' (Bernanke, 2014). On one level, this is wholly correct. However, Bernanke's presentation of the issue begs two important questions, the second of which is generally left unanswered in the mainstream literature: (1) what is the complex environment of 21st-century global finance, and (2) what are the structural forces that have driven its development? To answer this latter question, one needs to turn to research from critical political economy.

2.2: Structural roots: contributions from critical political economy

This subsection examines some of the deeper dynamics that have driven financialization, such as wage stagnation, rising inequality, the shifting balance of class forces, and changing investment preferences, all of which are associated with neoliberal structural reform, which began in earnest in the early 1980s. It should be noted that I do not attempt to present an exhaustive list of the relevant dynamics here but only to highlight some of the most important.

Wage stagnation and rising wealth and income inequality are both recognised as core drivers of financialization (Barba & Pivetti, 2009; Brenner, 2009; Cynamon & Fazzari, 2016; Durand, 2017; Goda, Onaran, & Stockhammer, 2017; Hein, 2012; Mian, Straub, & Sufi, 2019; Mian & Sufi, 2010; Onaran, Stockhammer, & Grafl, 2011; Palma, 2009; Stockhammer, 2013, 2015; van Treeck, 2015; Wisman, 2013). Personal income distribution has become significantly more unequal over the neoliberal period. For example, in the US, from 1946–1980, the average income per adult nearly doubled, with this growth relatively evenly distributed (Alvaredo, Chancel, Piketty, Saez, & Zucman, 2018, p. 79). In contrast, from 1980–2014, income growth for the bottom 50% stagnated almost completely, with pre-tax income increasing by only 1%; growth for the middle 40% was better, but still less than half that of the post-war decades (Alvaredo et al., 2018, p. 79). Meanwhile, income growth for the top 10% exploded, with particularly large increases for the top 1% and upward (Alvaredo et al., 2018, pp. 79-82). For example, the pre-tax income share captured by the top 1% grew from 11% in 1980 to 20% in 2007. In the UK, the gains of the top 1% have been more modest but still significant, moving from around 7% in 1980 to just over 15% in 2007. In Germany, the income share of the top 1% has also risen over this period but only by around 3%, although the gap between the top 10% and the rest has grown more significantly (Alvaredo et al., 2018, pp. 68-73). Further to this, the wage share has fallen markedly over this period. As Stockhammer (2013, p. 1) shows, for example, the adjusted wage share in the major advanced economies fell, on average, from 73% in 1980 to 64% in 2007, reversing a period of rising wage shares in the post-war years.[5] Again, this dynamic is variegated. In the US, the decline was from 70% to 65%, while in Germany it was a larger drop, from 72% to 62%, consistent with an overall 10% decline in the wage share in the Eurozone over this period (Stockhammer, 2013, pp. 1-2).

The literature highlights seven major drivers of these trends: (1) financial liberalization, which has encouraged wage suppression through the threat of capital flight; (2) the decline of trade union power and welfare state retrenchment, both of which were driven by neoliberal policy reform; (3) deliberate wage suppression among export-oriented economies such as Germany and Japan (and now China); (4) the effects of globalization such as the offshoring of labour to emerging-market economies; (5) systemic un- and underemployment, driven by neoliberal austerity and globalization; (6) legislative reforms which have lowered top tax rates and enabled the development of sophisticated tax-avoidance strategies; and (7) the growing power of rentiers (see Benanav, 2020; Boyer, 2013; Christophers, 2020; Flaherty, 2015; Godechot, 2015; Hein, 2012; Jessop, 2013; Kristal, 2010; Piketty, 2014; Stockhammer, 2013).

All else being equal, falling wage shares and increasing income inequality should put downward pressure on aggregate demand as the propensity to consume from wage compensation is higher than that of profit income and the propensity to consume among low-income brackets is greater than that of higher-income brackets. However, over the neoliberal period, and particularly in the decade prior to the GFC, this has been offset by a decline in the savings rate and the growth of

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[5] Stockhammer's data covers Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Spain, Sweden, the UK, and the US.

household debt in many countries. Countries such as the US, the UK, Spain, and Ireland saw households take on more and more debt in the years preceding the GFC (see Table 2.1). This enabled, and was enabled by, the development of real-estate bubbles, financial innovations such as securitization, the liberalization of capital flows, deregulation, and aggressive competition in the banking sector. The ensuing explosion in household and financial sector leverage undermined financial stability and were key factors precipitating the GFC and the Eurozone Crisis. Thus, increasing income inequality and the declining wage share associated with neoliberalization can be viewed as important underlying drivers of financialization and, in turn, the financial crisis itself. In addition, household deleveraging in the wake of the GFC has contributed to economic stagnation over the last decade.

Table 2.1. Household debt as percentage of disposable income, 2000–2018.

	2000	**2007**	**2018**
US	104	144	104
UK	108	167	143
SPAIN	85	149	107
IRELAND	110	232	140
ITALY	53	79	87
FRANCE	76	101	118
GERMANY	118	105	95
JAPAN	115	108	107

Comment: The US, the UK, Spain, and Ireland all experienced a similar trend of growing household debt in the early 2000s, followed by deleveraging in the wake of the GFC; Italy and France saw more modest but continuously rising growth in household debt over the entire period; and Germany and Japan saw a falling debt-to-disposable-income ratio over the entire period.

Notes: Net disposable income. Ireland starts at 2001.

Source: OECD statistics: https://stats.oecd.org/

The growing share of national income captured by the 1% and 0.01% has also driven financialization (Goda & Lysandrou, 2014; Goda et al., 2017; Lysandrou, 2011a, 2011b; Mian et al., 2019; Stockhammer, 2015; Wisman, 2013). The key issue here is that of wealth storage and increased demand for yield in the face of a capital glut of the wealthy. For example, as Lysandrou (2011a, p. 325) argues, one factor driving the subprime securitization market in the years preceding the GFC was the need to 'create securities with sufficient enough extra wealth storage to accommodate the huge build-up of private wealth'. This interacted with the explosion in cross-border credit flows noted above, which drove yields down and asset prices up through the 2000s. Thus, the increased wealth of the top 1%, and particularly of the extremely wealthy 0.01%, is an important structural dynamic driving the development of a bloated financial sector and the proliferation of risky financial products that can provide rich investors with yield.

Investment in the real sector has also declined over the neoliberal period. The dynamics noted above are all important causal factors, depressing aggregate demand on the one hand and incentivising financialized profit-making at the expense of productive investment on the other hand. Beyond this, however, a reconfiguration of corporate investment strategies over the neoliberal period, captured by the concept of 'shareholder value maximization', has long been identified as an important microeconomic feature depressing investment in the real sector (Lazonick & O'Sullivan, 2000; Onaran & Tori, 2018; Orhangazi, 2008). As Lazonick and O'Sullivan (2000, p. 18) summarise in their seminal contribution on this issue, the turn to shareholder value maximization is characterised by a 'shift in the strategic orientation of top corporate managers in the allocation of corporate resources and returns away from "retain and reinvest" and towards "downsize and distribute"'. Here, the prioritization of returning value to shareholders in the form of rising stock prices and dividends pay-outs has become the *raison d'être* of the corporation. It is a corporate governance regime in which 'the interests of shareholders – in close alliance with corporate managers – dominate over those of workers and society at large' (Braun, 2020a, p. 19).

A number of sociological and political-economic factors have generated this shift: (1) the reconceptualization of the corporation from a 'profit-generating producer of goods or services' to a 'stream of assets' that can be arranged and rearranged in more or less profitable ways (Espeland & Hirsch, 1990, pp. 87-88); (2) the increasing dominance of institutional investors as shareholders in firms, with these investors demanding short-term returns on their capital (Orhangazi, 2008); (3) the development of the corporate takeover market through the 1980s, which has incentivised aggressive cost-cutting and the maintenance of high share prices (Dobbin, 2005; Krippner, 2011; Lazonick & O'Sullivan, 2000); and (4) changes to the structure of firm governance, in which executives are both compensated with stock options and easily dismissed by boards unhappy with the returns generated for shareholders (Lazonick & O'Sullivan, 2000; Orhangazi, 2008). The drive towards maximizing shareholder value further incentivises investment in high-return financial assets and share buy-backs instead of expansionary (re)investment. This governance regime also encourages firms to repress labour costs wherever possible as a means of further maximizing short-term returns (Hein, 2019; Lazonick & O'Sullivan, 2000; Onaran & Tori, 2018; Orhangazi, 2008).

Finally, Marxist scholars have linked declining rates of investment to a more general crisis of overaccumulation, a dynamic that is argued by some to precede—and indeed to have catalysed—the neoliberal era. Robert Brenner (2006, 2009) has provided one of the most influential accounts here, arguing that the advanced economies have been experiencing a 'long downturn' since the end of the 1960s, largely attributable to declining rates of profitability in the manufacturing sector—due to rising competition from Japan and Germany—which acted as a uniquely strong engine of growth over the post-war decades. Brenner argues that globalization and the intensification of competition that it precipitated has generated systemic overcapacity in manufacturing and therefore overaccumulation and a falling rate of profit in this sector. Consequently, investment has dried up over time and downward pressure has been exerted on real wages, with widespread underemployment becoming trenchant (Benanav, 2020). However, Brenner's arguments, and those of a similar ilk, tend to be US-focused and the identification of a crisis of profitability is hotly disputed, even in the Marxist literature (see Basu & Vasudevan, 2013; Duménil & Lévy, 2011; Kotz, 2019; McNally, 2009; Shaikh, 2016). The analytical value of conceptualizing the last 50 years as a 'long downturn' is also unclear, as the post-war decades are now widely recognised as an exceptional period of economic growth, inconsistent with the longer-run history of capitalism (see Piketty, 2014).

In sum, an appraisal of the critical political economy literature reveals a number of key structural dynamics that have driven financialization and thus the Great Financial Crisis. Over the past 40 years neoliberalization has put downward pressure on real wages, while the incomes and wealth of the rich have exploded upward, as have corporate profits; this has driven a significant increase in income and wealth inequality in Western democracies. Consequently, a growing demand for debt on the part of the working and middle classes and a demand for high-yield financial assets among profit-rich corporations and high-net-worth individuals has, among other dynamics, fuelled financialization. Over this same period, investment in the real sector has declined. While the causes of this decline are debated—post-Keynesians and IPE scholars point to weak aggregate demand, trade imbalances, and shareholder value maximization, among other things, while many Marxist scholars highlight overaccumulation—the result is the same, weak demand and a preference for profit-making through financial and rent-seeking channels. These structural shifts have combined with other developments associated with neoliberalism such as the deregulation of finance and the liberalization of capital flows as well as more secular developments such as advances in financial engineering during the 1980s and 1990s, the computerization of finance through the 1990s, and ageing populations, to fuel financialization. In this way, I have argued, they should be conceptualized as *root causes* of the GFC as a crisis of neoliberal financial capitalism.

3: The Eurozone Crisis

In this section, I examine the fundamental causes and drivers of the Eurozone Crisis, drawing on both the mainstream and critical literatures. Explanations for the Eurozone's post-GFC malaise from mainstream economics tend to point to design problems inherent in the currency union. Drawing on Mundell's (1961) work on 'optimal currency areas' (OCA), some economists argue that while common currency areas improve the ease of trade and limit currency risk, they also limit flexibility (e.g., Krugman, 2013; Stiglitz, 2016). Here, then, it is argued that the root of the Eurozone's problems lies in the inability of some countries—namely, the peripheral, 'southern', economies[6]—to devalue their currency in the face of asymmetric economic shocks. In OCA theory, a high degree of labour mobility is required to offset the restrictions on the exchange rate set by a common currency—as in the US, for example (Krugman, 2013, p. 441). More problematic in practice, however, has been the 'one size fits all' monetary policy of the Eurozone, with the ECB imposing one core interest rate on countries that may each be at different points in the business cycle; this, it is argued, encouraged the build-up of macroeconomic imbalances within and between countries in the currency union in the years preceding the crisis (de Grauwe, 2013; Feldstein, 2011). However, as noted by Waltraud Schelkle (2017) in her detailed study of the Eurozone and its development, the focus on 'asymmetric' shocks is somewhat misleading, as the GFC was a *common* economic shock. In this way, the differing trajectories of Eurozone economies after the GFC are not easily explained by reference to OCA theory (Schelkle, 2017, pp. 174-179). Instead, we must turn to other institutional and political factors to explain it.

Some critical political economy scholars have therefore explained the EC through reference to the imbalances caused by the existence of different demand regimes and 'Varieties of Capitalism' (VoC) in the Eurozone. On the former, a body of mostly post-Keynesian literature has argued that the root cause of the EC was the unstable interconnections between export-led and debt-led demand regimes in the Eurozone (Becker & Jäger, 2012; Blecker, 2016; Hein, 2012, 2019; Jessop, 2014b; Stockhammer, 2008; Stockhammer & Kohler, 2019).[7] In the Eurozone, the former is typified by the Rhenish economies, above all Germany, while the latter is typified by many of the peripheral economies such as Spain, Portugal, and Ireland.[8] Export-led economies rely on the suppression of

[6] 'Southern' is frequently used as a catch-all label for the peripheral European economies that were at the heart of the EC. But the term carries an edge: it is frequently used in a pejorative manner as a shorthand for the supposedly innate fiscal profligacy and laziness of southern European peoples. Moreover, Ireland, one of the epicentres of the EC, is not located in the south of the Eurozone.

[7] 'Demand regime' refers to the character of demand formation that is dominant in a given economy. Thus, a demand regime may be shared among economies with different institutional dynamics—that is, among different 'varieties of capitalism'.

[8] Domestic demand-driven growth, an intermediate demand regime typified by France and Italy, is afforded less attention in the literature (see Hein, 2019).

domestic demand so that capital can be reinvested in productive capacity. However, because capital becomes concentrated in heavy industry and wages are suppressed to maintain competitiveness, this has the effect of constraining domestic demand (Schwartz, 2019, p. 499). On the other side, debt-led economies run current-account deficits and rely on rising household indebtedness to support consumption. As long as capital continues to flow into a debt-led economy (with this partially provided by the surplus produced by export-led economies), current-account deficits and rising household debt can be sustained. Thus, while the export-led regimes are not as heavily financialized, they 'rely on the financialization of their trading partners' (Stockhammer & Kohler, 2019, p. 3). Because the debt-led economies are dependent on rising debt-to-income ratios and the inflation of asset bubbles, they are vulnerable to financial crises and debt-deflation dynamics; in turn, the collapse of demand in debt-led economies blows back on export-led economies. It is argued that the EC broke out in the context of this inherently fragile regime and was exacerbated by the incomplete institutional architecture of the Eurozone, an issue I turn to shortly (Hein, 2012; Hein & Truger, 2012; Stockhammer, 2015).

Scholars working from the Varieties of Capitalism perspective highlight the differing institutional underpinnings that can help to explain the development of these differing demand regimes (e.g., P. Hall, 2014; Hancké, 2013; Höpner & Lutter, 2014; Johnston & Regan, 2016). The export-led economies of the European core have more developed coordinated wage-bargaining institutions, which enables them to restrict wage growth. In contrast, the debt-led economies of the European periphery rely more on domestic demand and have weaker wage-bargaining coordination systems and thus higher rates of wage growth, particularly in the public sector. The ability of the export-led economies to manage cost competitiveness through wage repression, it is argued, has therefore hampered the competitiveness of the peripheral economies (P. Hall, 2014; Hassel, 2014). Crucially, the monetary union restricts these member-states from devaluing their currency to increase competitiveness; meanwhile, the lack of a national central bank that can check rising inflation relative to the export-led economies further constrains cost competitiveness (P. Hall, 2014; e.g., Hancké, 2013; Höpner & Lutter, 2014; Jessop, 2014b; Johnston & Regan, 2016). In the build-up to the GFC, this dynamic forced the peripheral countries to fund domestic demand and fiscal expenditure through private- and public-sector debt—which was readily available due to the low interest rates that these countries could borrow at, courtesy of being in the monetary union (Hassel, 2014); this, it is argued, set the conditions for the EC.[9]

But as Schelkle (2017) argues, these macroeconomic and institutional imbalances do not in themselves explain the crisis. As she notes, after the common shock of the GFC, which threatened banks across the Eurozone, it 'was fundamentally underdetermined whether any particular country would get into deeper troubles and, if so, which one' (Schelkle, 2017, p. 189). Instead, Schelkle locates the Eurozone's problems in three essentially *political* areas. First, in the case of Greece, valid concerns about the state of the Greek government's fiscal position and a need for European authorities to keep up the appearance of 'rules-based policymaking' so as to maintain stability in the bond markets (Schelkle, 2017, p. 189). Second, while there was not necessarily a clear reason why the bond markets punished some Eurozone member-states and not others,[10] once market panic *had* singled out some countries over others, the 'lucky' ones were inclined to view their good fortune as proof of merit while judging the plight of the 'unlucky' as deserving (Schelkle, 2017, p. 189); this view was reinforced by the state of the Greek government's finances in 2009 and, later, the balance sheets of reckless Cypriot banks (Schelkle, 2017, p. 190). This generated a colossal collective-action problem for the Eurozone, making it difficult to devise a bailout scheme for the peripheral countries as the risks and costs had to be shared among the 'deserving' and 'undeserving' alike. Third, this was exacerbated by the fact that

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9 VoC scholarship has also focused on the divergence in innovation and education systems between the 'northern' and 'southern' economies, which play important roles in determining their differing competitive advantages. The 'northern' economies are oriented towards the production of high-quality manufacturing goods, while the 'southern' economies rely more on medium- and low-quality goods that are labour intensive. The latter has lost competitiveness with the rise of emerging markets that have been able to produce medium- and low-quality goods at lower cost over the past two decades (Nölke, 2015).

10 For example, Belgium was a prime candidate for bond-market punishment in the early days of the EC, with very high public debt, several large bank bailouts over the GFC, a high percentage of distressed peripheral member-state debt on its banks' balance sheets, and an unstable government over 2010–2011; for some reason, though, it escaped judgement (Schelkle, 2017, p. 188).

the GFC had caused distressed private debt to be socialized in many countries (for example, Ireland), thus making it *appear* as a sovereign-debt crisis, further encouraging the plight of the peripheral member-states to be cast in moralistic terms (Schelkle, 2017, pp. 190-191).

These dynamics interacted with other political dynamics, such as German finance minister Wolfgang Schäuble's dogmatic adherence to balanced budget nostrums and intense political pressure from German savers to raise interest rates. Overall, these political dynamics drove a cycle of what Tooze (2018a, chap. 14) has called 'extend and pretend', with European authorities prevaricating for close to half a decade over the institution of a comprehensive solution—a write-down of Greece's unsustainable debt burden coupled with broad ECB support of the Eurozone bond market—while various half-measures were introduced in the form of successive bailouts from the 'Troika' (the European Commission, the ECB, and the International Monetary Fund), conditional upon the imposition of fiscal austerity and neoliberal structural reform. On this, Tooze (2018a) views the Eurozone Crisis as an historic failure of both political and technocratic management.

Somewhat grating against Tooze's interpretation, Marxist-oriented scholars take the important step of integrating class power relations into the analysis, pointing to the role of finance capital as a political force in shaping the crisis response to the EC. Specifically, the dominant framing of the crisis as one of sovereign debt, the imposition of fiscal austerity and further neoliberalization in the form of 'rules-based' policymaking—the European Fiscal Compact of 2012, for instance—went hand-in-hand with massive levels of support for the banking sector. This, it is argued, reflects the dominance of finance capital in the design and governance of the Eurozone and EU as a whole (Becker & Jäger, 2012; Boyer, 2013; Duménil & Lévy, 2011; Durand & Keucheyan, 2015; Gill, 2017; Keucheyan & Durand, 2015; Ryner, 2015; Stockhammer, 2016; van Apeldoorn, 2014). Exemplary of this line of argument, Durand and Keucheyan (2015) argue that the strategic dominance of finance capital, the product of neoliberalized European integration, has left the EU an 'unachieved state', bereft of institutions capable of integrating different class fractions and mediating political conflict. Here, the now '"monolithic" hegemony of transnational and financial capital at the EU level' (Durand &

Keucheyan, 2015, p. 130) forecloses the capacity for productive conflict and compromise between class fractions (see also, Boyer, 2013; Ryner, 2015; van Apeldoorn, 2014). Under the hegemony of finance capital, the EU has thus (rather torturously) developed effective institutions to stabilize financial markets but is largely incapable of integrating subordinate class fractions and mediating wider social conflict. In the context of the EC, for example, there has been no common European social policy approach to the problems of unemployment it created. The upshot has been the reproduction of a regime that lacks genuine hegemony in Europe (Durand & Keucheyan, 2015, p. 139). In this way, the EC was driven less by a failure of political and technocratic management and more by the entrenched power relations that undergird the architecture of the currency union.

It should be noted that while the political factors highlighted by Schelkle and Tooze and the class power dynamics highlighted by the likes of Keucheyan and Durand drove the EC, this does not preclude the relevance of the wider macroeconomic and institutional imbalances in the Eurozone that were discussed above. In the final analysis, these structural imbalances created a deeply unstable macroeconomic terrain and exacerbated power imbalances between Eurozone member-states, and it was in this context that the crisis broke out and was negotiated. Finally, it is important to note that the Eurozone's (still) incomplete institutional architecture made it extremely difficult to navigate the crisis (de Grauwe, 2013; P. Hall, 2014; Hein, 2013; Iversen, Soskice, & Hope, 2016; Krugman, 2013; Ryner, 2015; Schelkle, 2017; Stockhammer, 2016; Tooze, 2018a). In particular, the absence of a fiscal union—by which a common fiscal authority could dispense stimulus to the Eurozone—the restrictions on member-state fiscal sovereignty imposed by the Eurozone's legal architecture, the initial unwillingness of the ECB to backstop euro-area debt, and the absence of a banking union that would enable risk-sharing all hampered the development of a resolution to the EC. The imposition of austerity throughout much of the continent in the early 2010s also intensified stagnation tendencies and fuelled political discontent.

Chapter Summary

In this chapter, I have provided a review of both the mainstream economics and critical political economy literatures on the proximate and structural causes of the Great Financial Crisis and the Eurozone Crisis. Important disagreements within the literature notwithstanding, I have identified a number of crucial causal factors driving these crises of neoliberal financial capitalism. First, the explosive growth of the global financial system, particularly the North Atlantic nexus, was driven by deregulation and financial liberalization and in turn highly accommodative financial and monetary conditions over the 1990s and 2000s. More structurally, neoliberalization has caused real wages to stagnate for large sections of the working and middle classes in many advanced economies, while the incomes and wealth of the top 1% have increased dramatically, as have corporate profits, driving an explosion in income and wealth inequality. Consequently, there has been a growing demand for debt on the part of the working and middle classes and for fictitious investment among profit-rich corporations and high-net-worth individuals. These dynamics, in conjunction with the rise of corporate strategies of shareholder value maximization and secular developments not explored in this chapter such as ageing populations and the computerization of finance, have generated, and have been propelled by, financial globalization and global financialization and should thus be understood as key *structural causes* of the GFC. The EC, for its part, was a crisis that spun out from the GFC. As I have argued in this chapter, it was rooted in a set of macroeconomic and institutional imbalances inherent to the currency union and was intensified by the Eurozone's incomplete institutional architecture. Further, the resolution of the EC was hampered by a host of conflicting political agendas and a deeply uneven balance of class power, with the interests of finance capital dominant across the continent.

If the post-GFC period can be characterized, as I argued in the thesis introduction, as one of organic crisis and interregnum, it is in large part the result of the long-standing tensions inherent to neoliberal financial capitalism that I have surveyed in this chapter and which exploded in 2007 and 2008. And it is within this context of ongoing political-economic instability and turmoil that the dramatic expansion of central bank power has taken place. In conjunction with the previous chapter, which examined the institutional nature and strategic orientation of modern central banks, this chapter has thus provided the necessary political-economic context for my empirical analysis in the remainder of the thesis. It has also served to further substantiate the conceptualization of the post-GFC era as one of organic crisis, which I developed in the thesis introduction.

CHAPTER 3: AUTHORITARIAN NEOLIBERALISM AND CENTRAL BANK POWER

As summarised by Claudio Borio (2014a, p. 191) of the Bank for International Settlements (BIS), prior to the Great Financial Crisis (GFC) of 2007–2009, 'the quintessential task of central banks was seen as quite straightforward: keep inflation within a tight range through control of a short-term interest rate, and everything else will take care of itself. Everything was simple, tidy, and cozy'. This view stemmed from the assumption that price stability is the key to long-term economic prosperity; that monetary and fiscal policy should be kept separate, with the latter subordinate to the former; that monetary policy did not, by-and-large, affect financial stability; and that the short-term interest rate was the most appropriate variable for the central bank to target (Borio, 2014a, p. 193). To quote the BIS (2015, p. 13), 'the presumption was that price stability was sufficient for macroeconomic stability and that either the financial system was self-stabilising or that its failure could not be very damaging'. Beginning in 2007, these assumptions have been comprehensively dismantled, catalysing a rethink of monetary and financial-stability policy and a rediscovery of the central bank's traditional role as lender of last resort. As former president of the European Central Bank (ECB) Jean-Claude Trichet (2010c) bluntly informed an audience at Bocconi University in 2010, 'The global financial crisis has shattered the world and changed our beliefs'; as his successor Mario Draghi (2019a) put it in his final speech as president, the rupture of 2008 'called for a new paradigm for central banking'.

One way of reading developments in central banking over 2007–2020, then, is as a period of institutional learning, in which central bank(er)s have had to reckon with the changing nature of financial and economic systems and develop new means of governing them. This narrative of institutional learning is favoured by central bankers themselves, who are not a little smug at their achievements (see chapter 4). But while this narrative is not without merit, it downplays the wider political-economic and ideological significance of the shifts in central banking over the crisis period and has a strongly depoliticizing valence, rendering the expansion of central bank power in apolitical, technical, only-doing-what-is-necessary terms. As Daniela Gabor (2020) has argued, a different way of viewing this period of evolution in central banking is as part of the rise of the 'derisking state'. In Gabor's (2020, p. 51) view, contemporary capitalism, pivoting as it does around the construction of liquid asset markets, requires 'the state to derisk systemic liabilities during bad times, and to enable the creation of new asset classes during good times'. The most important institution of the (neoliberal) derisking state is the central bank, which, in times of crisis, stabilizes runs on financial systems and attempts to drive economic development by reducing the investment risk associated with systemically important asset classes (Braun, 2020b; Gabor, 2020; Gabor & Ban, 2016; Mehrling, 2011; Sissoko, 2019; Wullweber, 2021). This means making *political* decisions about which markets, asset classes, and financial institutions are to be supported (Fontan, 2018; van't Klooster & Fontan, 2019) and, in the case of the Federal Reserve System (Fed), which countries should receive US-dollar swap lines (McDowell, 2012; Sahasrabuddhe, 2019). The derisking central bank has consolidated further over the course of the Covid-19 pandemic, as powerfully displayed in March of 2020, in which historic bond-buying programmes and a frenzy of emergency liquidity facilities were rolled out by the major central banks over the course of just two weeks.

In this chapter, I highlight how the novel forms of emergency financial governance that have been developed and deployed by derisking central banks over this period have been instrumental in stabilizing neoliberal financial capitalism and thus in (re)producing neoliberal hegemony. To do so, I draw on both primary resources and the extant critical political economy literature to provide a synthetic analysis of the rise of the derisking central bank in the period 2007–2020, utilizing the Fed and the ECB as illustrative case studies.[1] Moving beyond this literature, I theorize the derisking central bank within the broader context of organic crisis and argue that it as an important, though underappreciated, component of 'authoritarian neoliberalism' as a form of post-GFC rule.

[1] There are, of course, considerable differences between the Fed and the ECB and between the political economies of the US and the Eurozone. Consequently, there have been notable divergences in policy development and implementation between these two central banks and in the evolution of American and European capitalisms over the crisis period. However, while noting these differences where appropriate, in this chapter I stress the *common* rise of the derisking central bank.

A rich body of Marxian literature has developed around the concept of authoritarian neoliberalism (Bruff, 2014; Bruff & Tansel, 2019; Davies, 2016; Jessop, 2019; Tansel, 2018)—or, alternatively, 'authoritarian statism' (Keucheyan & Durand, 2015; Sandbeck & Schneider, 2014; Schneider & Sandbeck, 2019)—in the post-GFC period. In this literature, which draws on the work of Nicos Poulantzas (2014 [1978]) and Stuart Hall (1979) on the crisis of the 1970s, authoritarianism is conceptualized not just as the use of coercive force, but as the increasing insulation of government and governance from democratic dissent—that is, as institutional and discursive practices of *dedemocratization*. Defined as such, neoliberal regimes, characterized by various institutional and ideological strategies of insulating market power and economic governance from democratic interference—i.e., technocratic economic governance (see thesis introduction and chapter 1)—have always been underpinned by authoritarian modes of governance and legitimized by ideological appeals to authoritarianism. But as discussed in the thesis introduction, neoliberalism also enjoyed a period of consensual, relatively unchallenged hegemonic appeal in the West through the 1990s and 2000s. The literature on authoritarian neoliberalism therefore argues that the explosion of political dissent and the dimming of neoliberalism's 'hegemonic aura' in the years following the GFC has catalysed a *qualitative intensification* of its authoritarian tendencies (Bruff, 2014; Davies, 2016): the repoliticization of the economy and its management in the years following the GFC has been met with a doubling down on technocratic economic governance.

The rise of the derisking central bank has thus far received surprisingly little attention in the literature on this authoritarian turn (for partial exceptions, see Keucheyan & Durand, 2015; Schneider & Sandbeck, 2019). This chapter aims to address this gap by bringing the literatures on the rise of the derisking central bank and authoritarian neoliberalism together. In doing so, the central argument I make is that authoritarian neoliberalism, as an ideology and governance regime of post-GFC capitalism, hinges in important ways on the capacity of central banks, as power centres of finance capital that are well insulated from real-time political pressures (see chapter 1), to find ad hoc technico-political fixes for the crisis tendencies of contemporary finance. Specifically, in times of severe financial stress and dysfunction, such as during the GFC, the EC, and the early months of the Covid-19 pandemic, central banks have to take extraordinary actions to restore market functionality. These interventions, technical in nature but political in effect, are made in a 'legal and political twilight zone' (Braun & Downey, 2020, p. 12), or 'zone of indeterminacy' (Vogl, 2017, p. 11), where state and market power merge together. In this way, authoritarian neoliberalism pivots around 'the explicit exclusion and marginalization of subordinate social groups through the constitutionally and legally engineered self-disempowerment of nominally democratic institutions, governments, and parliaments' (Bruff, 2014, p. 116)—i.e., the advance of technocratic economic governance—not just because it is politically expedient, but also because it is absolutely *necessary* that certain forms of emergency intervention remain out of reach, often invisible, and indeed largely unintelligible to the wider public.

The remainder of this chapter is organized as follows. In the first section, I introduce in more detail the concept of authoritarian neoliberalism and its application to the post-GFC period. In the second section, I examine how the Fed and the ECB have derisked dominant market structures and practices so as to maintain stability in neoliberal financial capitalism over the past decade. In the third section, I develop upon my claim that the derisking central bank is a critical component of authoritarian neoliberalism as a form of post-GFC rule. A brief summary section concludes.

1: Authoritarian Neoliberalism

As has been widely remarked upon, the GFC did not spell the end of neoliberalism (Crouch, 2011; Konings, 2018; Mirowski, 2013). Instead, while neoliberalism—in its various articulations—has lost its 'hegemonic aura' (Bruff, 2014, p. 115), thanks in no small part to the work of protest movements such as Occupy Wall Street, it has nevertheless remained dominant; forms of technocratic economic governance, not to mention overt state repression, have thus far proven capable of managing economic turbulence and containing or simply ignoring widespread social protest and discontent. For Gramsci, authoritarian tendencies are latent within all liberal capitalist states, and in periods of organic crisis, where the pace of politics accelerates, public opinion fluctuates wildly, and the contradictions of class struggle intensify, these authoritarian tendencies tend to come to the fore (Gramsci, 1971). In this vein, drawing in particular on Poulantzas's (2014 [1978]) work on the crisis of Western capitalist states in the 1970s, Ian Bruff (2014) has highlighted how these latent authoritarian tendencies began to come to the fore in the years after the GFC. In Bruff's presentation, 'authoritarianism' refers not just to the use of coercive force by the state but also to the insulation of decision-making from democratic dissent.

As mentioned above, neoliberal regimes have always been somewhat authoritarian, and indeed the early neoliberal thinkers explicitly pushed for the world market to be encased from the threat of mass democracy (Slobodian, 2018). Processes of neoliberal structural adjustment have often been brutally imposed, paradigmatically in Pinochet's Chile, but also in Thatcher's Britain, Reagan's America, and throughout the 1990s and 2000s in the Global South and the post-communist countries of Eastern Europe. But as discussed in the thesis introduction, by the mid- to late- 1990s a consensual, 'Third Way' neoliberalism had become hegemonic in most countries of the capitalist core. While this period involved the 'disenchantment of politics by economics' (Davies, 2016, p. 128), and was marked by the (attempted) institutional encasement of markets from democracy (Slobodian, 2018, p. 13), it was also underpinned by a utopian project, in which globalization and the unfettering of market forces were framed as essential to economic prosperity and human flourishing and were bound up with ideas of creativity, autonomy, and freedom (Boltanski & Chiapello, 2017). In Bruff's (2014, p. 115) view, due to the explosion of political dissent and the waning of neoliberalism's 'hegemonic aura' in the years following the GFC, with 'neoliberal practices' increasingly unable 'to garner the consent or even the reluctant acquiescence necessary for more "normal" modes of governance', there has been a qualitative intensification of its authoritarian tendencies. Attempts to interpellate subordinate classes into the neoliberal project have been side-lined in favour of more coercive methods of control.

While describing a *general* turn in neoliberalism's ideological logic and governing rationality from consent to coercion, authoritarian neoliberalism is necessarily variegated across different countries and indeed different regions within countries. Nevertheless, in the wider literature that has developed around this concept (e.g., Bruff, 2014; Davies, 2016; Fabry & Sandbeck, 2019; Jessop, 2019; Keucheyan & Durand, 2015; Sandbeck & Schneider, 2014; Schneider & Sandbeck, 2019; Tansel, 2018), three key features of authoritarian neoliberalism are commonly highlighted. First, the intensification of appeals to the constraints that globalization and fiscal capacity place upon state autonomy and the related intensification of anti-interventionist rhetoric, which are, as I noted in the thesis introduction, long-standing features of neoliberal ideology. Post-GFC austerity discourses are paradigmatic here, with austerity measures frequently justified through reference to 'bullshit ideas' that high levels of public debt are necessarily destabilizing and must be reversed through pro-cyclical fiscal austerity (Blyth, 2013; Hopkin & Rosamond, 2018). Here, the looming threat of the international bond markets is frequently invoked, and thus the necessity of placating investors by maintaining 'prudent' levels of government debt (Streeck, 2014).

Second, and relatedly, there has been a general intensification of efforts to subordinate the economic sovereignty of nation-states to binding supranational treaties and constitutional commitments, another long-term trend of neoliberalism. The classic post-GFC example here is the EU's Treaty on Stability, Coordination and Governance, signed in March 2012 as part of the response to the Eurozone Crisis (EC) of 2009–2015. The 'Fiscal Compact' component of the treaty is an attempt to institutionalize fiscal discipline among member-states, centring on the Rhenish and ordoliberal *Weltanschauung* that governments need 'to maintain sound and sustainable public finances' ("Treaty on Stability, Coordination and Governance in the Economic and Monetary Union," 2012, p. 9). It sets in place rules regarding the size of government budget deficits as a percentage of GDP (no more than 3%) and restrictions on governments' debt-to-GDP ratio (no more than 60%), along with measures to strengthen the economic surveillance of member states, empowering the Court of Justice of the EU to impose penalties on states that fail to comply and thus compelling governments to take 'corrective action' in the form of structural reforms to reduce long-term fiscal deficits. The enhanced power of independent central banks has also been a significant, albeit under-theorized, feature here

(Keucheyan & Durand, 2015; Schneider & Sandbeck, 2019), particularly in the EU, where the ECB has frequently used its power to pressure peripheral member-states, as I elaborate on in section 2.

Third, there has been a shift in the affective register by which neoliberal rule is justified, with the marked evaporation of consensual appeals to the virtues of free-market capitalism in the years following the GFC (Foster & el-Ojeili, 2021). As William Davies (2017, p. 157) has argued, following the credit crash neoliberalism has operated with limited recourse to reasoned argumentation or justification, and increasingly 'via contingent acts of preservation of the status quo'. It has also (re)mobilized punitive and moralizing discourses, for example in justifications for austerity where the aforementioned appeals to the constraints of globalization on the state operate alongside 'self-flagellating' (Bruff, 2014, p. 121) narratives that link the state of a government's finances to spoiled, short-sighted, and imprudent citizenries (see also, Stanley, 2014).[2] Another prime example of the discourse of authoritarian neoliberalism is the tone of the liberal intelligentsia and political class during the Brexit referendum, where appeals to the EU as a positive political project were benched in favour of prognostications of economic chaos following a vote to leave ('Project Fear').

A final, important feature of authoritarian neoliberalism relates to Poulantzas's concept of the simultaneous 'strengthening-weakening' of the state. As Poulantzas (2014 [1978], p. 241) argued, the shift to authoritarianism 'does not correspond to a univocal strengthening of the State: it rather involves the dual aspect of strengthening-weakening, given that the transformations which mark the state sharpen the generic elements of political crisis'. What Poulantzas is suggesting here is that authoritarian modes of rule, while strengthening the nation-state or supra-national bloc in the sense that avenues for the democratic contestation of certain issues are foreclosed, also weaken the state, which is ultimately unable to fully 'enclose the masses in its disciplinary web or to "integrate" them in its authoritarian circuits' (Poulantzas, 2014 [1978], p. 247). The pursuit of an authoritarian strategy, that is, reduces the state's capacity to effectively mediate social conflict, organize class compromises,

2 Although, it should be noted that these punitive and moralizing discourses can have popular appeal and enjoy a degree of popular support.

and secure a stable hegemony. In this respect, the rise of authoritarian neoliberalism following the GFC can also be seen to have hastened and deepened the current crisis of political legitimacy, encouraging the development of protest movements and political struggle across Western democracies. Returning to Gramsci's conception of crisis, this mutually destructive ratcheting effect can be viewed as a dynamic inherent to the current organic crisis, in which hegemonic instability and political-ideological turbulence have given birth to 'a great variety of morbid symptoms' (Gramsci, 1971, p. 276), authoritarianism being one of them.

In sum, the literature on authoritarian neoliberalism asserts that the authoritarian tendencies inherent in liberal capitalist states, and particularly pronounced under neoliberal regimes, have intensified to the degree that it is conceptually and analytically useful to mark out the post-GFC period as a new 'phase' of neoliberalism, continuous with earlier phases but also qualitatively distinct from them. Thus far, however, the literature has paid relatively little attention to the unique role of the central banks in the development and entrenchment of authoritarian neoliberalism as a form of rule. The remainder of this chapter seeks to show how the rise of the derisking central bank is a critical component of this regime, a form of emergency technocratic governance that remains essential to the functioning of neoliberal financial capitalism as an economic system.

2: The 'Derisking' Central Bank

In this section, I examine the rise and consolidation of the derisking central bank at the Fed and the ECB since 2007. Through the development and deployment of emergency liquidity programmes, forward guidance (communication to financial markets on the direction of future policy) on the scale and duration of central bank support, and waves of monetary stimulus in the form of low interest rates, lending programmes, and large-scale asset-purchase programmes, I argue, these power centres of finance capital have played a pivotal role in stabilizing neoliberal financial capitalism and (re)producing neoliberal hegemony. Building on this analysis, the third section of this chapter then threads the derisking central bank into the wider rise of authoritarian neoliberalism as a form of post-

GFC rule. First, however, I provide a brief technical overview of how liquidity crises play out in the contemporary financial system.

2.1: Market-based finance

Following the Great Financial Crisis, a body of scholarship has developed around the concept of 'market-based finance'.[3] This literature has focused attention on how, since the 1990s, practices of credit creation and intermediation have become increasingly market-based in the context of US-dominated financial globalization and global financialization.[4] As Gabor (2020, p. 45) explains, market-based credit creation and allocation is organized 'through securities markets, collateral-based money, and derivatives markets' rather than relational bank lending. This includes both the credit intermediation activities of regulated financial institutions—traditional banks—and comparatively unregulated financial institutions and off-balance sheet entities—shadow banks—on both sides of the balance sheet, which pivot around the US dollar. While relational bank lending is financed largely by customer deposits, market-based lending is accomplished through the 'marketization of both side of banks' balance sheets' (Braun, 2020b, p. 399) and is financed in large part in wholesale money markets (Hardie & Howarth, 2013, p. 29). That is, banks and shadow banks trade securities, derivatives, and equities and fund these trades in the money markets. For example, by the end of 2007 US commercial banks relied on wholesale funding to finance \$2.1 trillion of their collective balance sheet, US investment banks \$3.7 trillion, UK banks \$4 trillion, and Euro-area universal banks (banks with both

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3 This literature includes contributions from academic economists (e.g., Brunnermeier & Pedersen, 2009; Mehrling, 2011; Rey, 2015), economists at the Bank for International Settlements (e.g., Borio & Disyatat, 2011; McCauley, 2018; Shin, 2017), financial market specialists (e.g., Pozsar, 2014, 2015), and scholars of International Political Economy (e.g., Hardie & Howarth, 2013) and the burgeoning school of 'critical macro-finance' (e.g., Gabor, 2020; Murau, 2017).

4 Various alternative terms have been employed to capture the same shift in financial practices and structures that market-based finance refers to. For example: 'shadow banking' (Pozsar, 2014), 'money market funding of capital market lending' (Mehrling, 2011), and 'market-based banking' (Hardie & Howarth, 2013).

commercial and investment divisions) $12.4 trillion (Hardie & Howarth, 2013, p. 29).[5] Market-based finance thus captures, on the one hand, and particularly in the US, the development of a vast system of shadow bank entities such as investment banks, hedge funds, money market mutual funds (MMMFs), and off-balance-sheet entities that engage in financial intermediation practices but which lack the depositor base of commercial banks and, prior to the GFC at least, were not subject to the same regulatory oversight or privy to central bank support (Lysandrou & Nesvetailova, 2015; Pozsar, 2014; Pozsar, Adrian, Ashcraft, & Boesky, 2013).[6] On the other hand, the term captures the changing intermediation practices of banks, which engage in 'market-based banking' (Hardie & Howarth, 2013, pp. 24-25).

The rise of market-based finance can be conceptualized as a component of the wider phenomenon of financialization. It is both the 'plumbing' of the contemporary financial system—the pipes through which credit is flushed (Pozsar, 2014, 2015)—and provides investors with opportunities to profit via the development of new forms of credit intermediation and maturity and liquidity transformation (Fernandez & Wigger, 2016; Hardie & Howarth, 2013; Lysandrou & Nesvetailova, 2015). For example, securitization and derivatives turn long-term, illiquid assets (for example, mortgage loans) into tradeable short-term securities (for example, mortgage-backed securities) or derivatives thereof. Profits can be made from these financial assets through both speculation and financial intermediation. These financial assets also enable leverage through access to collateralized money markets, such as the repo markets, which provide means of funding securities and derivatives portfolios (Adrian & Shin, 2010; Gabor, 2020; Mehrling, 2017; Pozsar, 2014).[7]

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5 Note that these figures do not show off-balance-sheet investment vehicles, which were widely used in the US in the run-up to the crisis.

6 As of the Financial Stability Board's (2019, p. 4) latest report (at the time of writing), the shadow banking system was estimated to account for $183.4 trillion worth of annual financial activity annually, holding close to half of total global financial assets.

7 As IPE scholars and economic sociologists have shown, the state has been formative in actively promoting and institutionalizing forms of market-based finance over the neoliberal era in order to pursue macroeconomic policy aims (Braun, Krampf, et al., 2021; Gabor & Ban, 2016; Krippner, 2011; Wansleben, 2020).

Market-based finance also generates particular kinds of financial crises, of which the Great Financial Crisis, the Eurozone Crisis, and the Covid-19 panic were all characteristic. In a traditional bank run, depositors rush to exchange their demand deposits for central bank currency and/or banks rush to exchange their claims on other financial firms for central bank reserves. Stabilizing a traditional bank run therefore requires the provision of high-powered money from the central bank (central bank reserves) to the bank(s) facing the run; this preserves the moneyness of bank-issued money, ending the run. However, in market-based systems stabilizing a run requires not only the provision of high-powered money to individual institutions in the banking sector, but also central bank intervention in systemically important asset *markets* (Gabor, 2014; Mehrling, 2011).

To illustrate why this is the case, the literature splits liquidity into two core, interconnected forms: (1) funding liquidity and (2) market liquidity (see Brunnermeier & Pedersen, 2009; Mehrling, 2011; Pistor, 2013).[8] Funding liquidity refers to the ease at which financial institutions can obtain the funding necessary to meet their obligations or expand investment. For example, a deficit agent may look to borrow in the money markets in order to defer settlement to a future date; funding liquidity refers to the ease at which they can do so. Market liquidity, on the other hand, refers to the shiftability of financial assets at relatively stable prices and short time horizons. Market liquidity is crucial in a system reliant on collateralized lending, as the moneyness of collateralized promises to pay such as repos hinges on the ability of lenders to liquidate collateral in the event of a borrower default. Absent deep and liquid markets, collateralized promises to pay lose their moneyness, threatening the stability of the payments system.[9] In periods of acute uncertainty, such as after the fall of Lehman Brothers in September 2008, the liquidity preference (see chapter 1) becomes systemic, and investors flock to cash. This causes funding costs to rise and generates downward pressure on collateral values as assets

8 A third form, 'monetary liquidity' (the hoarding and dishoarding of reserves), is less important.

9 For example, because the moneyness of repos is tied to their collateral valuation, rising uncertainty, reflected in collateral-price instability and thus illiquidity, undermines the willingness of creditors to enter into repo transactions (Gabor & Vestergaard, 2016, p. 22).

are sold off. If uncertainty becomes systemic, causing widespread price volatility and therefore rising funding costs, a 'downward liquidity spiral' (Brunnermeier & Pedersen, 2009) can be set in motion in collateralized debt markets.

A key insight of the literature on market-based finance—and something discovered by central bankers over the course of the GFC and the EC—is that to end a liquidity crisis in the contemporary financial system, the central bank must step in as both lender of last resort, providing funding liquidity to individual institutions, but also as *market-maker* of last resort, standing ready to buy and sell large quantities of systemically important asset classes, particularly government securities (Mehrling, 2011). As Gabor (2014, p. 199) summarizes, in market-based systems, 'banks can renew collateralized funding during crisis if they can continue to access collateral markets of high quality and high liquidity, particularly sovereign bond markets'. By acting as the market-maker of last resort, the central bank can arrest downward liquidity spirals and preserve market liquidity.[10] As the following two subsections show, the development of market-maker of last resort facilities has been one of the key institutional developments in central banking over the past decade.

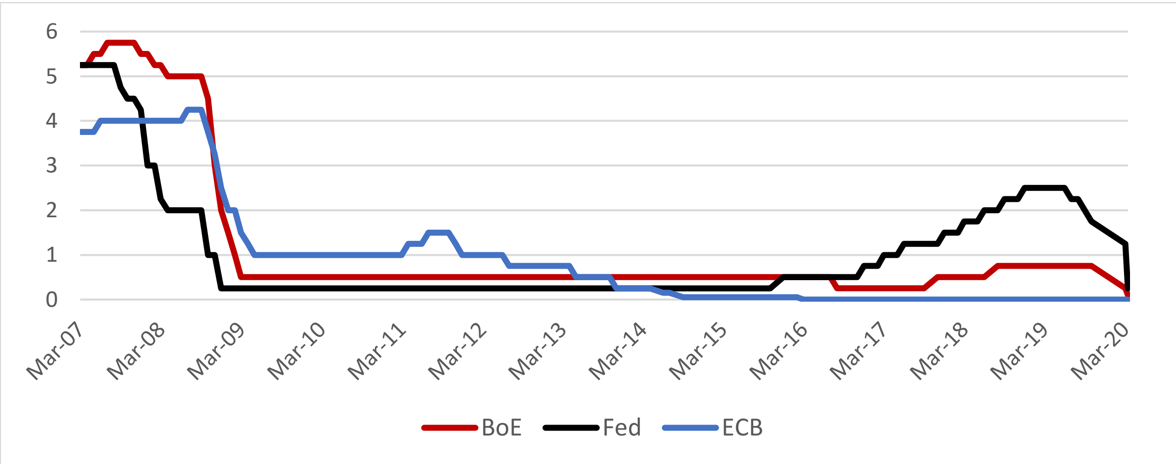
2.2: Derisking at the Federal Reserve

The Fed was quick to cut the Federal Funds Rate (see Figure 3.1) and provide liquidity to the banking sector as the GFC kicked off in the second half of 2007. More notable, however, was the development and deployment of what have been called 'unconventional' policies to contain the crisis in markets hitherto unregulated by the Fed. In addition to supplying liquidity directly to individual institutions such as Bear Stearns, American International Group (AIG), and Bank of America over the course of the GFC, the Fed set up numerous emergency credit facilities that non-bank actors could access, which I elucidate on below.

[10] In stabilizing the prices of benchmark assets that function as reference points for price setters, such interventions also enable price discovery in the wider financial system.

In the months prior to Bear Stearns' collapse in March 2008, the Fed had begun to realise that the provision of lender-of-last-resort facilities was insufficient to contain the crisis (Bernanke, 2015, p. 205). The repo markets were a particular source of concern; in response, two key programmes were set up to alleviate liquidity stresses in the repo markets. On 11 March 2008, the Term Securities Lending Facility (TSLF) was rolled out, enabling primary dealers to swap, among other things, mortgage-backed securities (MBS) that they could no longer repo for US Treasuries that they could (Mehrling, 2011, p. 103). This programme reached a peak of $230 billion in Treasury securities in October 2008 (Domanski, Moessner, & Nelson, 2014, p. 56). Second, the Primary Dealer Credit Facility (PDCF), set up on 16 March 2008, enabled primary dealers who did not have access to reserve accounts at the Fed to draw overnight loans from the central bank. Total lending under this programme, mostly overnight, was close to $9 trillion (Tooze, 2018a, p. 208).

Figure 3.1. Core interest rates, major Western central banks, 2007–2020.



Note: BoE = Bank of England; Fed = US Federal Reserve; ECB = European Central Bank.
Source: Global Rates: https://www.global-rates.com/

These programmes helped support repo lending until the collapse of Lehman Brothers over the weekend of 13–14 September 2008, whereupon money markets froze, and the managers of the American financial system stared 'into the abyss' (Bernanke, 2015, p. 268). It was here that the decisive shift to market-maker of last resort was made. As the former president of the New York Fed, Timothy Geithner, recounts in his (ghost-written) memoir of the crisis: 'After Lehman . . . I supported anything that would discourage running or encourage investing; I opposed anything that would weaken confidence or stability. We had to do whatever we could to help people feel their money was safe in the system' (Geithner, 2014, p. 212). The Fed relaxed the requirements for eligible collateral to anything able to be pledged in the tri-party repo market for both the TSLF and PDCF on 14 September (Gorton, Laarits, & Metrick, 2018, p. 13). This allowed counterparties to swap low-grade collateral for US Treasuries. But money market mutual funds also came under acute stress from 16 September, when the Reserve Primary Fund 'broke the buck', meaning it was no longer able to repay investors dollar-for-dollar.[11] This caused close to half-a-trillion dollars to flee the MMMFs (Domanski et al., 2014, p. 57; Tooze, 2018a, p. 153). In response, the Fed expanded its support to the commercial paper market (short-term IOUs that large corporations rely upon to cover short-term funding constraints and in which American MMMFs were heavily invested) with the announcement of the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) on 18 September 2008 and the Commercial Paper Funding Facility (CPFF) on 7 October 2008. The AMLF provided liquidity to investors in asset-backed commercial paper (ABCP) so that they were able to continue purchasing commercial paper from money market mutual funds, thus easing the run. Importantly, the three biggest recipients of AMLF support were all European banks, an example of how the Fed's interventions were extra-territorial in scale due to the inherently transatlantic nature of the crisis.[12]

More dramatically, the CPFF enabled the Fed to buy (through a special purpose vehicle) newly issued commercial paper, providing a market of last resort and eventually $737 billion in liquidity (Tooze, 2018a, p. 209), with European banks again the largest beneficiaries (Hardie & Maxfield, 2016,

[11] On the same day, the Fed took control of AIG's credit-default swap book, which insured large sections of the transatlantic financial system. This move saw the Fed effectively underwriting insurance for the entire American–European credit system (Mehrling, 2011, p. 103; Tooze, 2018a, p. 178).

[12] UBS received $72 billion, Dexia $53 billion, and Barclays $38 billion (Hardie & Maxfield, 2016, p. 603).

pp. 603-604).[13] Finally, in a bid to restart securitized lending, the Fed announced the creation of the Term Asset-Backed Securities Loan Facility (TALF) on 25 November 2008. Taken together, these facilities backstopped the market-based system by providing a market of last resort for key assets that circulated in the repo and asset-backed commercial paper markets. This enabled the Fed to deliver both funding and market liquidity not just to the registered banks but to the wider network of market-based finance. This was an unprecedented extension of the Fed's mandate—enabled by invoking section 13(3) of the Federal Reserve Act—in which the central bank switched from supporting the registered commercial banks to supporting the *system* of market-based finance.[14]

In addition to European banks being the central beneficiaries of the AMLF and CPFF, the Fed also lent dollars abroad during the GFC, both through the New York Fed to US-based subsidiaries of European banks located in New York and also to other central banks. On the latter, dollar swap lines were created at the Fed in 1962 as a means of easing dollar funding pressures in other jurisdictions (McCauley, 2020). Swap lines enable dollar funding to be provided by the Fed to foreign central banks via currency swaps. The foreign central bank can then lend these dollars out to the banks under its jurisdiction. Given the dollar's centrality to the global financial system, the Fed quickly recognised the importance of alleviating dollar-funding pressure abroad. At this time, European banks had a dollar-funding mismatch of over $1 trillion (McGuire & von Peter, 2009, p. 15). From the Fed's perspective, there was a risk that European banks would start to dump their US-dollar-denominated assets, therefore intensifying the crisis and undermining credit conditions in the US (McDowell, 2012; Pape, 2021; Tooze, 2018a). Thus, in December 2007, in what John Grahl (2020, p. 30) describes as an 'extraterritorial extension of the US stabilization policy', the Fed approved the use of currency swap

[13] The Fed also set up the Money Market Investor Funding Facility on 21 October 2008, which was never drawn upon.

[14] Section 13(3) allows the Fed 'In unusual and exigent circumstances . . . to discount for any participant in any program or facility with broad-based eligibility, notes, drafts, and bills of exchange when such notes, drafts, and bills of exchange are indorsed or otherwise secured to the satisfaction of the Federal Reserve bank'. See: https://www.federalreserve.gov/aboutthefed/section13.htm

lines with a select list of other central banks. Outstanding drawings on the swap lines reached close to $600 billion in October 2008, with the European Central Bank by far the biggest user.

In Tooze's (2018a, p. 11) estimation, the swap lines were 'the decisive innovation' of the GFC and proof of its transatlantic nature. They were decisive not just in the scale of funds flushed through them but in the assurance they gave to foreign banks that the Fed would act as a (selective) 'global lender of last resort' as and when necessary, and the fact that, strikingly, they were opened 'without public consultation of any kind' (Tooze, 2018a, pp. 214-215, 203). In the heat of the crisis, then, the Fed, an explicitly national institution with a domestic mandate provided by the United States Federal Government, was transformed into the world's central bank, an institution standing ready to provide dollar liquidity around the globe, and by doing so, derisking the global dollar system. This role has been institutionalized since the crisis, with permanent swap lines now operating between the six major advanced-economy central banks (on the politics of the swap lines, see Broz, 2015; McDowell, 2012; Sahasrabuddhe, 2019).[15] Thus, the swap lines were reactivated in 2011, as the Eurozone Crisis heated up, with outstanding drawings peaking at $100 billion (McCauley, 2020, pp. 8-9), and again in early 2020 (see below).

In a further, more widely remarked-upon, extension of its role as a derisking institution, the Fed launched the first of its large-scale asset-purchase programmes—what came to be known as 'QE1' (quantitative easing one)—on 25 November 2008, with the principle aim of restarting the mortgage securitization market. The Fed announced that it would buy $100 billion in government-sponsored enterprise (GSE) debt and $500 billion in private label MBS, to which it added another $750 billion in MBS, another $100 in GSE debt, and $300 billion in Treasuries on 16 March 2009, with these purchases funded by newly created reserves. 'QE2' (quantitative easing two) was announced on 3 November 2010, this time with the intention of stimulating the flagging American economic recovery. Here, 'To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels

[15] The Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, the Swiss National Bank, and the Fed.

consistent with its mandate', the Fed announced it would purchase $600 billion in US Treasuries at the healthy clip of around $75 billion per month.[16] The Fed eventually purchased more than $800 billion in Treasury securities through QE2. With 'QE3'—quantitative easing three, which came to be known as 'QE infinity'—announced on 13 September 2012 with the same intention as QE2, to stimulate the flagging American recovery in the context of underwhelming fiscal stimulus, the Fed pledged to buy $40 billion in MBS each month for an open-ended amount of time. Then, on 12 December 2012, it announced it would be adding $45 billion per month in Treasuries. The Fed began tapering its purchases under QE3 starting in December 2013, eventually bringing the programme to an end in late 2014. By 2017, the Fed held more than $1.8 trillion worth of MBS and $2.5 trillion in US Treasuries, thus holding significant portions of each market on its balance sheet (Reisenbichler, 2020, p. 474).

As the above exposition shows, QE served different purposes through this period. While the first programme aimed to reignite the US mortgage market, QE2 and QE3, announced in the context of a weak recovery, underwhelming fiscal stimulus from the Obama administration, and austerity at the state level, were aimed at stimulating economic activity to push inflation up and unemployment down. The theory here is that by purchasing large quantities of select securities, particularly those with long maturities, asset prices will rise and interest rates will fall, making credit cheaper.[17] In practice, however, the stimulus effects of QE are extremely difficult to distinguish. What is clear is that by derisking key assets, QE stabilizes and stimulates financial markets and generates widespread asset-price inflation (Ivanova, 2018; Montecino & Epstein, 2017; Ronkainen & Sorsa, 2018); it is therefore a major boon for finance capital.

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[16] Board of Governors of the Federal Reserve System, 'FOMC statement', 3 November 2010, https://www.federalreserve.gov/newsevents/pressreleases/monetary20101103a.htm

[17] QE was pioneered by the Bank of Japan (BoJ). After the collapse of the asset bubble in Japan at the start of the 1990s, the BoJ found itself unable to stimulate economic growth through conventional monetary policy (Gabor, 2014, p. 192). In response to a decade of deflation, it announced in 2001 that it would begin to purchase Japanese government securities in a bid to increase the level of bank reserves (hence the term 'quantitative easing') and by extension the level of bank lending to the broader economy.

Figure 3.2. Central bank balance sheets, 2008–2021.

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Please consult the figure list and reference list for further details.

Note: BoJ = Bank of Japan; Fed = US Federal Reserve; BoE = Bank of England; ECB = European Central Bank.

Source: Borio (2021, p. 2).

With the recognition that Covid-19 was becoming a full-fledged pandemic by early March 2020, financial markets experienced a severe panic, beginning 9 March. As discussed in chapter 2, the most critical threat to the financial system in this period was posed by the seizing up of the US Treasury market. In response, beginning on 15 March, the Fed rolled out the entire suite of facilities used during the GFC in less than two weeks.[18] Crucial here was the relaunch of the AMLF, which extended the Fed's backstop to money market mutual funds. This helped stem the flight of cash from MMMFs in the US, which saw 15% of assets under management redeemed through March 2020 (BIS, 2020, p. 40). But the Fed also significantly expanded its derisking toolkit, creating new facilities aimed at extending further support to the *non*-financial sector, such as the Primary Market Corporate Credit Facility (PMCCF), by which the Fed can directly lend to, and purchase the paper of, highly rated US firms, and the Secondary Market Corporate Credit Facility (SMCCF), which enables the Fed to purchase corporate bonds and shares in exchange-traded funds on the secondary market. In early April 2020, the Fed also

[18] The Fed rebooted the CPFF, the PDCF, the AMLF (now under the name, Money Market Mutual Fund Liquidity Facility (MMLF)), and the TALF.

worked to make credit available to small- and medium-sized businesses—to 'go the last mile'—through the Main Street Lending Programme. The Paycheck Protection Program Liquidity Facility (PPPLF) was also set up to provide liquidity to lenders participating in the US Small Business Administration's Paycheck Protection Program that provided loans to small businesses to cover payroll (Board of Governors of the Federal Reserve System, 2020). The Fed also extended its support to municipal governments in the US with the establishment of the Municipal Liquidity Facility, a special purpose vehicle that purchases municipal debt securities. In this respect, the early months of the pandemic saw the Fed continue the process, started in 2007, of extending its backstop to an ever-larger portion of the American economy.

The dollar swap lines were also reactivated in order to release pressure on offshore US dollar markets, and outstanding drawings reached almost $450 billion in May 2020, with the Bank of Japan and the ECB the biggest users (Aldasoro, Ehlers, McGuire, & von Peter, 2020, p. 6). Here, as the Bank for International Settlements (2020, p. 48) summarises, 'With the GFC as precursor, the role of the Federal Reserve as a global lender of last resort [was] further cemented'.

Perhaps most dramatic of all, the Fed launched a colossal QE programme, aimed at restoring market functionality. Initially, it pledged on 15 March to buy a minimum of $500 billion in Treasuries and $200 billion in MBS, but little more than a week later made its purchases open ended. After tapering these purchases for a short time, continued financial and economic turmoil saw the Fed commit to buying $80 billion in Treasuries and $40 billion in MBS per month on 11 June, and to note that it stood ready to 'increase the size and adjust the composition of its purchase operations as needed to sustain smooth functioning' of the securities markets.[19] The Fed's explicitly open-ended support for the bond markets over this period saw its holdings of securities almost double from $3.9 trillion in early March to $6.6 trillion by the end of 2020 (Cheng, Powell, Skidmore, & Wessel, 2021). A

[19] Federal Reserve Bank of New York, 'Statement regarding Treasury securities, agency mortgage-backed securities, and agency commercial mortgage-backed securities operations', 10 June 2020, https://www.newyorkfed.org/markets/opolicy/operating_policy_200610

staggering $1.6 trillion in Treasuries and $700 billion in MBS were purchased by the Fed in the period from March to June (Logan, 2020). In contrast to the aims of QE2 and QE3, this programme was primarily aimed, at least in the early stages of the pandemic, at derisking key markets by providing a guaranteed buyer of systemically important assets. And this was done on an open-ended and essentially unlimited basis. In these respects, while the US Federal Government at large failed to contain the pandemic, the republic's central bank was swift, decisive, and effective in stabilizing the financial system by derisking the commercial banking system, the international money markets, and the American economy as such.

Beginning in earnest in 2007, then, the Fed has expanded its reach both within and beyond the American financial system. It has done so by extending its support in the form of novel lender- and market-maker of last resort facilities, which are oriented towards derisking market-based finance; through the institutionalization of the dollar swap lines, which derisk the global dollar system; and through the deployment of ever-larger asset-purchase programmes, whereby the Fed leverages its balance sheet to both derisk systemically important asset markets and to stimulate credit creation in the wider American and global economy. As Tooze summarised, speaking to the enlightened in a piece for *Foreign Policy* in the panic-stricken early days of the pandemic: 'We have spent enough time digesting the experience of the global financial crisis. Everyone knows the playbook, and everyone knows that the Fed must lead' (Tooze, 2020). Over the past decade, then, the stability of neoliberal financial capitalism has come to depend, both in reality and in the imaginary of the liberal intelligentsia, on the Fed—an American institution with an explicitly domestic mandate—and its capacity to make ad hoc emergency interventions in the global financial system.

2.3: Derisking at the European Central Bank

The European Central Bank was quick to provide liquidity to the European banking system in the summer of 2007, but comparatively slow in cutting interest rates (see Figure 3.1). More significantly, like the Fed, the ECB played a central role in developing novel derisking interventions for the market-based financial system through the Great Financial Crisis, the Eurozone Crisis, and the Covid-19 pandemic. In this subsection, I focus mostly on the ECB's selective support of government debt markets, as this best highlights the essential and highly political role that it has played in shaping the political economy of the Eurozone over this period, and the centrality of the derisking central bank to authoritarian neoliberalism as a form of rule.

As yields on sovereign debt for many Eurozone countries rose in response to increased public borrowing through 2008 and 2009, the ECB launched a one-year longer-term refinancing operation (LTRO) in May 2009, accepting a wide range of assets as collateral. This provided European banks access to ECB liquidity at the main refinancing rate of 1%. Drawing on the LTRO, the banks poured €400 billion into sovereign debt, notably the higher-yielding bonds of peripheral Eurozone countries such as Greece and Ireland (Tooze, 2018a, p. 286). This had the effect of binding bank and sovereign balance sheets closer together, a dynamic which would soon come to haunt the currency union (Fontan, 2018, p. 175). Subsequent rounds of LTROs were launched in 2011 and 2012, at three-year terms. Close to one trillion euros was pumped into the banking system through these later programmes, much of this liquidity again finding its way into the sovereign-debt market, buoying asset prices and putting downward pressure on yields. Again, the ECB 'supported the sovereign debt market' (Tooze, 2018a, p. 421), but through a backdoor; and again, this served to knit bank and sovereign balance sheets closer together.

As noted in chapter 2, at the heart of the Eurozone's problems during the debt crisis lay the toxic interconnections between the sovereign debt of Greece, Ireland, Portugal, Cyprus, Spain, and Italy and many European banks. Highly leveraged European banks held large quantities of these member-states' sovereign debt, leaving them exposed to falls in the value of these assets and to the prospect of sovereign defaults. On the other hand, the balance sheets of peripheral member-states such as Greece were also highly exposed to their own over-leveraged banking sectors as, if the domestic banks were to collapse, they threatened to bring the sovereign's credit rating down with them. Perversely, recognition of these interconnections increased the likelihood of a 'doom loop' being set in motion. For example, investor fear that the Greek government would be unable to help its distressed banks increased the funding pressure on those same banks. But the interconnections were also more complex. Banks of the wealthy Eurozone countries owned huge quantities of peripheral member-state debt, stocks they had built up over the 2000s and through the LTRO programmes following the GFC. By the end of 2009, for instance, French banks held claims amounting to €345 billion on Greece, Ireland, Portugal, and Spain, while German banks held claims amounting to €325 billion (Schelkle, 2017, pp. 186-187). Meanwhile, total bank claims of the core northern member-states (Germany, France, Austria, Belgium, and the Netherlands) on Italy were enormous, at €822 billion (P. Hall, 2014, p. 1231). This meant that a banking collapse in the periphery could have system-threatening consequences for the entirety of the Eurozone.

In early 2010, the publication of the Greek government's budget, a downgrade of Greek bonds by Standard & Poor's, and the ECB's move to tighten collateral standards caused a sell-off of Greek sovereign debt (Schelkle, 2017, pp. 166-167). In response, in May 2010 the ECB launched fresh LTROs, lowered its collateral standards so that Greek bonds could be used, and launched the Securities Market Programme (SMP) (Braun, 2015b, p. 433). The SMP enabled the ECB to purchase sovereign and private-sector bonds in the secondary market and hold them to maturity. This was an important intervention in extending *de facto* lender-of-last-resort provision to sovereign states (Schelkle, 2017, pp. 210-211)—even though this is explicitly prohibited under EU law—through which the ECB eventually purchased €218 billion worth of Italian, Spanish, Greek, Portuguese, and Irish debt.[20] However, the SMP was conditional and the ECB made purchases selectively, withdrawing from the bond markets in the second half of 2010 so as to pressure the Greek government into accepting the structural adjustment packages demanded by the Troika (Fontan, 2018, p. 171; Gabor, 2014, p. 204). And in late 2011, the ECB made similar moves to pressure the Berlusconi government in Italy,

[20] €102.8 billion, €44.3 billion, €33.9 billion, €22.8 billion, and €14.2 billion respectively. See: European Central Bank, 'Details on securities holdings acquired under the Securities Markets Programme', 21 February 2013, https://www.ecb.europa.eu/press/pr/date/2013/html/pr130221_1.en.html

withholding purchases under the SMP unless the Italian government submitted to a structural adjustment programme (Fontan, 2018, p. 172).

It was not until July 2012, when Mario Draghi, president of the ECB at the time, pledged in a speech to a London audience to do ‘whatever it takes to preserve the euro’ that the bond-market panic began to ease. Purely rhetorical at first, Draghi and the ECB followed this pledge up in August 2012 with the announcement of Outright Monetary Transactions (OMT), by which the ECB would purchase government bonds of member-states in the secondary market if certain conditions were met by the governments who would receive this support—namely, requesting financial assistance from the Troika and submitting to any conditions subsequently imposed (Braun, 2015b, p. 434). In the ECB’s view, as then member of the Executive Board Jörg Asmussen (2012) put it, reflecting the banks political preferences, ‘conditionality is key in order to ensure long-term sustainability of the fiscal, structural and macroeconomic adjustment path’. The conditionality attached to OMTs meant that the programme was not actually used; nevertheless, after its announcement, the spreads between German bunds and peripheral sovereign-debt began to narrow (see Figure 3.3 and Figure 3.4). It is therefore typically credited with ending the acute phase of the Eurozone Crisis.

But despite this belated response, the economic damage wrought by the EC and the self-destructive imposition of austerity across the Eurozone sent the currency union into recession from 2011–2013, forcing Draghi to announce in mid-2013 that the ECB’s ‘monetary policy stance will remain accommodative for as long as necessary’.[21] The ECB moved to stimulate the Eurozone economy with the commencement of its first QE programme in March 2015. Here, the bank committed to buying €60 billion per month in Eurozone member-state securities for an initial period of 18 months, but the programme ended up running until the end of 2018. By the time QE was (briefly) ended in December 2018, the ECB had purchased €2.6 trillion in securities, the vast majority of this being public sector debt, but with a notable €178 billion in corporate-sector securities also purchased (van't Klooster &

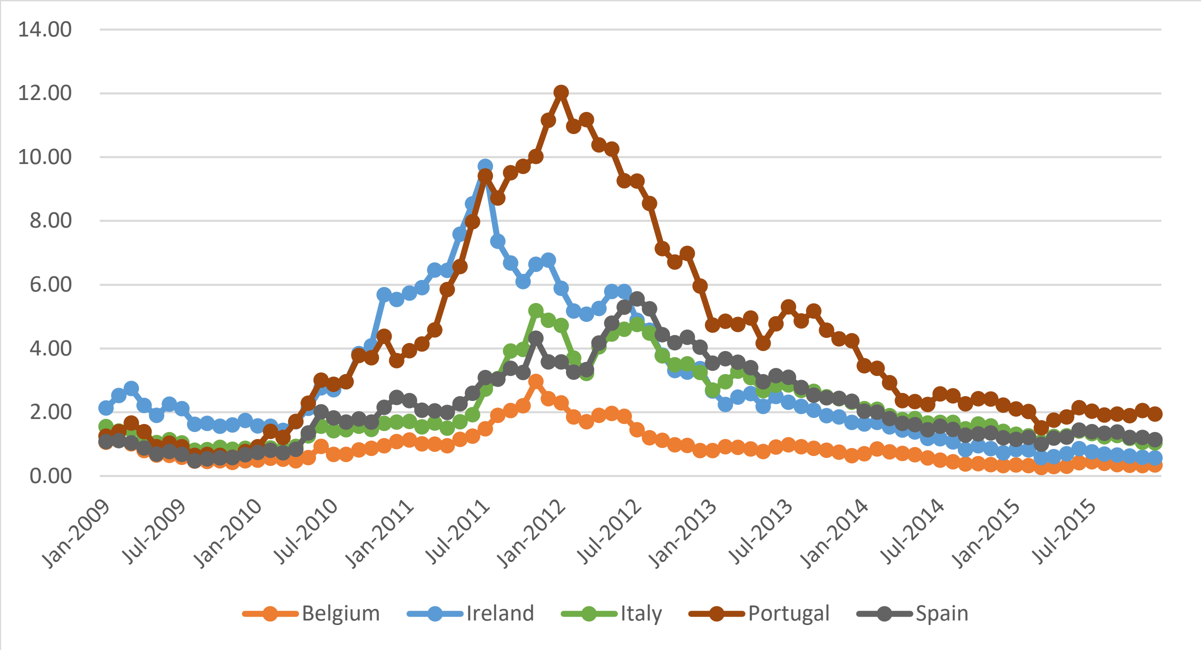
[21] See Mario Draghi and Vítor Constâncio, ‘Introductory statement to the press conference (with Q&A)’, 4 July 2013, https://www.ecb.europa.eu/press/pressconf/2013/html/is130704.en.html

Fontan, 2019, p. 2). With Berlin remaining intransigent on the issue of fiscal support through the late 2010s, and with the global economy slowing, the Draghi-led ECB started expanding its net purchases again to €20 billion per month in September 2019.

The ECB's QE programme provided financial stability and fluffed asset markets across the Eurozone. However, like the Securities Market Programme and Outright Monetary Transactions, QE was also used as a means of further pressuring peripheral member-states into accepting austerity reforms. In the case of Greece, the resistance of the Syriza government to the conditions of the bailout package in 2015 was actually undermined by the ECB's bond purchases. By draining the stock of bonds from the private market by €266 billion over the course of the year, the ECB managed to secure the Eurozone against the threat of financial contagion from a default on Greek debt (Tooze, 2018a, p. 526). In this climate, Greek threats of default became toothless, providing the Troika and the austerity-minded Rhenish member-states with further leverage and the ability to undermine the democratically expressed demands of the Greek public to end austerity. Further, by neglecting to purchase significant amounts of Greek sovereign debt over 2015, and therefore allowing the interest burden to rise, the ECB also worked to intensify the pressure upon Tsipras's government (Fontan, 2018, p. 172); in this respect, the bank intervened in an expressly political manner.[22] Thus, following Fontan (2018, p. 178), the ECB should be conceptualized over this period as a clear driver of 'post-democratic dynamics', an organization that, far from benevolently intervening in the interests of monetary stability, has sought to 'further isolate economic governance from electoral outcomes' over the crisis period (see also, Sánchez-Cuenca, 2017; Woodruff, 2016).

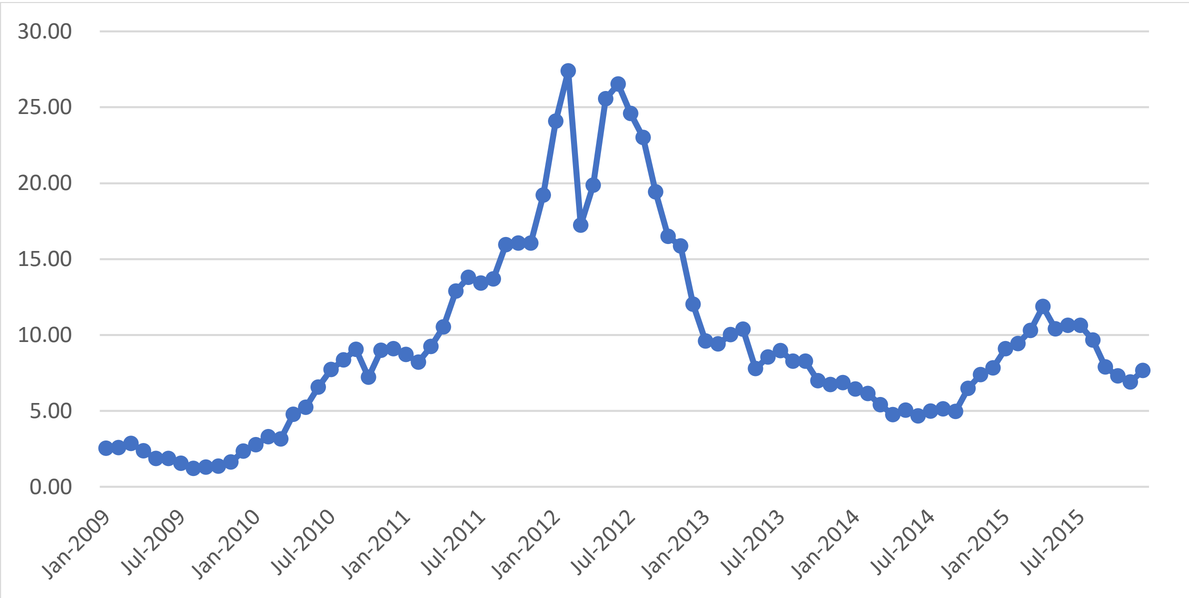
[22] In 2011, the ECB also wrote to heads of state advising them on prudent economic policies, such as labour-market flexibilization (van't Klooster, 2020, p. 594). The broader corpus of ECB speeches over this period, some of which are analysed in chapter 4, also evidence a vigorous push by the bank's management for neoliberal structural adjustment and fiscal austerity.

Figure 3.3. Selected Eurozone spreads over German bund, 2009–2015.



Source: OECD statistics: https://stats.oecd.org/

Figure 3.4. Greek spread over German bund, 2009–2015.



Source: OECD statistics: https://stats.oecd.org/

The ECB sprang into action again in mid-March 2020, as the Covid-19 pandemic threatened to bring Europe to its knees. With policy rates already negative, the ECB eased collateral requirements, and further lowered the interest rates charged on LTROs and TLTROs (targeted longer-term refinancing operations) in a bid to channel funding throughout the financial system. It also launched, on 30 April, a set of PELTROs (pandemic emergency longer-term refinancing operations), by which banks and money market mutual funds could borrow from the ECB at 25 basis points below the average interest rate of the other refinancing operations.

Most importantly, the ECB kicked QE into high gear again, first announcing on 12 March that it would expand its existing asset purchases by €120 billion over 2020. On the same day, at an ECB press conference addressing Covid-19 and the bank's response, President Christine Lagarde told markets that the central bank was 'not here to close spreads' on government debt.[23] This gaffe—the implicit message of Draghi's 'whatever it takes' and QE since 2015 was precisely that the ECB *is* committed to closing spreads—briefly spooked markets, but they were soon calmed as Lagarde walked back her statement and the ECB, on 18 March, announced a new QE programme, the Pandemic Emergency Purchase Programme (PEPP).[24] Under the PEPP, the ECB would make net asset purchases of government and corporate debt of up to €750 billion until the end of 2020, with this envelope soon extended on 4 June to up to €1.35 trillion, and then again on 10 December to €1.85 trillion, with the net-asset-purchase horizon shifting out until at least March 2022 and the ECB informing markets that 'the envelope can be recalibrated if required to maintain favourable financing conditions'.[25] As with the ECB's other asset-purchase programmes, payments from maturing securities held by the central bank are reinvested in further rounds of asset purchases. Importantly, by derisking sovereign debt, QE calmed the bond markets through the up-and-down discussions over a

[23] Christine Lagarde, 'Introductory statement to the press conference', 12 March 2020, https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312~f857a21b6c.en.html

[24] Lagarde: 'I am fully committed to avoid any fragmentation in a difficult moment for the euro area. High spreads due to the coronavirus impair the transmission of monetary policy. We will use the flexibility embedded in the asset purchase programme, including within the public sector purchase programme. The package approved today can be used flexibly to avoid dislocations in bond markets, and we are ready to use the necessary determination and strength'. See: Christine Lagarde, 'Introductory statement to the press conference', 12 March 2020, https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312~f857a21b6c.en.html

[25] European Central Bank, 'Monetary policy decisions', 22 April 2021, https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.mp210422~f075ebe1f0.en.html

coordinated European fiscal response, which eventually culminated in the Next Generation EU fund of €750 billion; in this sense, as derisker-in-chief, the ECB provided economic cover for the messy work of high politics, as it did during the EC, although this time with more progressive consequences. As with the Fed, in addition to the speed at which these programmes were rolled out, the most striking aspect of ECB intervention in the early months of the pandemic was the sheer scale of the asset purchases announced and their continual ratcheting up over the course of 2020.

In sum, like the Fed (and other major central banks not discussed here), the post-GFC period has seen the ECB gradually embrace its role as a derisking institution, one that must continually intervene in systemically important asset markets to keep the bullet train of neoliberal financial capitalism safely on the rails. Unlike the Fed, however, the ECB has intervened in a more explicitly political manner over this period, using its power to pressure peripheral member-states into neoliberal structural reform. And as with the Fed, the development of derisking technologies through the GFC and EC provided the ECB with a ready crisis 'playbook' that could be rolled out and extended upon, at dramatic scale, in response to the outbreak of the coronavirus in early 2020.

3: Authoritarian Neoliberalism and Emergency Central Banking

In important respects, stabilizing neoliberal financial capitalism over the past decade has meant breaking with pre-GFC orthodoxies of economic governance. For example, fears of the inflationary effects of accommodative monetary policy have been progressively, though by no means entirely, subdued over the past decade, with the major central banks, including the Fed and the ECB, beginning to rethink the connection between employment and inflation in an age of disorganized labour; they are also now more willing to risk temporarily over-shooting their inflation targets than to risk permanently under-shooting them (BIS, 2017; Bobeica, Ciccarelli, & Vansteenkiste, 2021; Powell, 2020b). More strikingly, through the 2010s the big central banks have consistently advocated for more activist fiscal policies, to both stimulate economic growth and to ease the burden on monetary policymakers (see chapter 4). With the onset of the Covid-19 pandemic there has even been an acceptance in some central banks of the need for better coordination between monetary and fiscal policies and the use of the central bank's balance sheet to 'smooth the path' for government finances in times of crisis (BIS, 2020; Jansson, 2021). And in place of the 'light-touch' regulation of banks that characterized the pre-GFC period, more intrusive supervision and macroprudential regulation have become commonplace as the concept of 'systemic risk' has taken root in the discourse and governing apparatuses of central bank(er)s and financial regulators (Baker, 2018).

Thus, some pre-GFC orthodoxies of technocratic economic governance have been rethought over the past decade. However, the broader normative and conceptual framework in which economic policy is developed remains very much *within* the neoliberal cosmology of open, flexible markets, fiscal probity, and monetary dominance; more importantly, central bank intervention over this period has been very much oriented to stabilizing neoliberal market structures. Indeed, as the discussion in section 2 showed, throughout the period 2007–2020 the stability of neoliberal financial capitalism has come to hinge on the capacity of a small, tightly knit group of technocrats, firmly enmeshed with private finance, to develop emergency fixes for a chronically unstable financial system. As Stefan Eich (2019, p. 92) writes, in 2007 and 2008, 'Faced with financial meltdown, the depoliticized rule-based model of neoliberal governance that had promised to disentangle politics and economics was revealed as hinging on the ability of experts with largely undefined mandates to directly intervene in the financial system'. The decade following the GFC has only confirmed this reading. As the analysis in section 2 showed, neoliberalism relies less on the preservation of a 'rules-based' economic order than it does on the capacity of unelected experts to make emergency interventions on the fly.

The essential political dynamic underpinning the rise of the derisking central bank in both the US and the Eurozone (as well as elsewhere) is that it has developed in the 'legal and political twilight zone' (Braun & Downey, 2020, p. 12) that central bank(er)s occupy courtesy of their formal independence from elected government and their close interconnections with private finance—that is, courtesy of their public–private nature (see chapter 1). In turn, this reveals something important about authoritarian neoliberalism as form of post-GFC rule. Namely, while most explorations of authoritarian neoliberalism pivot around the nation-state as the essential site of this form of economic governance (e.g., Bruff, 2014; Davies, 2016; Keck & Clua-Losada, 2021; Tansel, 2018), or, in studies on the EU, the transnational features of this logic (Keucheyan & Durand, 2015; Sandbeck & Schneider, 2014; Schneider & Sandbeck, 2019), the rise of the derisking central bank reveals that authoritarian neoliberalism also centres around the rather indeterminate and flexible spatiality of the state–finance nexus. At the core of this nexus, the central bank(er) makes emergency governance decisions in an indeterminate 'grey area' that is largely outside of democratic contestation, visibility, and intelligibility. Indeed, there are extremely limited attempts to fold these emergency actions into a wider legitimizing narrative—other than that of doing 'what must be done' (see, e.g., Bernanke, 2015; Carney, 2021; Geithner, 2014). This does not mean that there is no debate or discussion at all on the rising power of central banks or the appropriate use of tools such as QE; indeed, the pages of elite newspapers such as the *Financial Times* and the *Economist* are filled with such discussions and central bank(er)s devote a lot of effort to communicating their rationales to the financial sector. But this is an almost exclusively *intra-elite* concern and, in the case of emergency facilities, largely occurs ex-post. The machinations of the derisking central bank, floating in a techno-elite ether-world, remain largely unintelligible to non-experts.

To put this another way, recalling the discussion in section 1, the literature on authoritarian neoliberalism as a form of economic rule highlights three central sites of intervention: (1) increased appeals to the constraints that globalization and fiscal 'reality' place upon state sovereignty and the managing down of normative assumptions about what it is appropriate for the state to do; (2) the intensification of efforts to subordinate state economic sovereignty to supranational legal treaties and constitutional commitments; and (3) the rise of a more punitive discourse. I am suggesting here that a fourth critical feature, articulated in the rise of the derisking central bank, is the *necessarily* authoritarian nature of emergency technocratic interventions under neoliberal financial capitalism. Authoritarian neoliberalism is a form of governance that not only excludes and marginalizes subordinate social groups because it is politically expedient, but in which critical areas of economic management *must* remain out of reach, and indeed out of sight, of democratic politics. While such emergency financial governance is by no means new (Konings, 2018)—and indeed is a long-standing feature of liberal governmentality as such (Vogl, 2017)—my contention is that this tendency has qualitatively intensified after 2007, with central banks continually expanding their support to ever-wider sections of the financial and economic system in the broader context of the democratic 'void' (Mair, 2013). A crucial component of authoritarian neoliberalism as a form of post-GFC governance is thus the capacity of central bank(er)s to find ad hoc technico-political fixes for the crisis-tendencies of 21st-century finance. This is a necessarily undemocratic pursuit.

Here, though, the rise of the derisking central bank is by no means a story of unqualified success; indeed, it reveals the inherent fragility of the regime itself. Emergency central bank interventions, while for the most part effective in derisking market-based finance, have also caused economic blowback. For example, by pushing bond prices up and yields down, sustained bouts of QE have significantly inflated asset and equity markets over the crisis period, intensifying wealth inequality in the process (Montecino & Epstein, 2017). The move to market-maker of last resort has also had the effect of institutionalizing pro-cyclical and unstable forms of financing such as repo, further driving the build-up of systemic financial vulnerabilities (Gabor, 2016). Low-for-long interest rates have perpetuated the neoliberal dependency on private-sector debt as the engine of economic growth, and it has proven difficult for the major central banks to 'taper' QE programmes in a world of extremely high leverage and over-sensitive markets. While all this has been hugely profitable for finance capital, it has further entrenched the systemic vulnerabilities of neoliberal financial capitalism as a socio-economic system (see chapter 2).

The rise of the derisking central bank has also had destabilizing political implications. Perhaps most prominently, the ECB's post-GFC trajectory directly contributed to the proliferation of euro-scepticism across the currency union, from the early days of the Syriza government in Greece to the rise of anti-euro right-wing parties such as the Alternative für Deutschland in Germany and Lega in Italy. Within the US there has also been a marked populist backlash against the Fed, exemplified by the rise of the Tea Party Movement in 2009, the 'Audit the Fed' bill that was passed in the House in 2016 (Riles, 2018, p. 16), and the ascendency of Bitcoin and other cryptocurrencies as libertarian fantasies of a private, depoliticized money, free from the clutches of the state and the perils of devaluation (Eich, 2019). In short, the institutional stability of formally independent central banks has come under significant threat in the post-GFC world.

Thus, in the decade following the GFC the stability of neoliberal financial capitalism has come to rely on the capacity of unelected experts to make creative, emergency interventions in the financial system. But while there is clearly a need for these technocratic institutions that are capable of responding at speed to emergent crises, the longer-run effect of such interventions is to entrench a systemically unstable regime which lacks a strong hegemonic basis. In these respects, the derisking central bank, like other key features of authoritarian neoliberalism, has the effect of simultaneously 'strengthening-weakening' this regime. As Poulantzas (2014 [1978], p. 245) wrote of the collapse of the post-war regime in the 1970s, 'Such flying blind is a most hazardous course for the functioning of class hegemony'.

Chapter Summary

As I have detailed in this chapter, the past decade has seen central bank(er)s find creative ways to 'derisk' core institutions and practices of neoliberal financial capitalism, preventing more catastrophic economic breakdowns in periods of financial turmoil. As Bernanke recounted to a group of Washington DC policymakers at the annual Alexander Hamilton awards dinner in April 2010, the traditional tools of the Fed 'were of little use in addressing panic in the shadow banking system' during 2007 and 2008. Consequently, 'we engaged in what I call "blue sky thinking" – generating many ideas. Most were discarded, but, crucially, some led to the development of new ways for the Federal Reserve to fulfil the traditional stabilization function of central banks' (Bernanke, 2010a).

In this chapter, I have examined many of the most important of these new ideas and how they were deployed by the Fed and the ECB over the period 2007–2020; but I have also questioned the self-serving narrative proffered by the likes of Bernanke that these developments have been mere extensions of 'the traditional stabilization function of central banks'. I showed how the Fed, as a critical governing institution of global capitalism, has been instrumental in derisking the dollar-based financial system through the GFC to the Covid-19 pandemic. It has also supported economic recovery during the long but rather feeble expansion that these two cataclysms bookended by adopting the controversial policy of QE. I also showed how the ECB has often acted as a 'sovereign of last resort' for the Eurozone over the crisis period, plugging holes in the currency union's unstable and incomplete institutional and political architecture by derisking sovereign debt and wielding its immense economic power to exert pressure upon wayward member-states to toe the line. Through the Covid-19 pandemic, too, the ECB has been a critical ballast for the currency union, stabilizing sovereign-debt markets, and the financial system at large, through derisking interventions.

Beyond this synthetic work, the original contribution to the literature that I have made in this chapter is to show that this form of emergency technocratic economic governance is a critical component of authoritarian neoliberalism as a form of post-GFC rule. That is, authoritarian neoliberalism hinges in important ways on the capacity of central banks, as power centres of finance capital that are well insulated from real-time political pressures, to find ad hoc technico-political fixes for the crisis tendencies of contemporary finance. This is fundamental to the stability of the neoliberal financial capitalism, and thus—from the perspective of the state–finance nexus—central banks must remain well-protected from the 'threats' posed by democratic politics. However, as I have argued, this has also generated adverse economic consequences and caused intense political blowback. Indeed, in the context of a wider repoliticization of 'the economy' and its management following the financial crisis, central banking has also been repoliticized, and the institution of central bank independence has come under threat. How central bank(er)s have responded intellectually and ideologically to these developments is the focus of the next two chapters.

CHAPTER 4: NAVIGATING REPOLITICIZATION AT THE EUROPEAN CENTRAL BANK AND THE FEDERAL RESERVE

In September 2021, penning his last regular column for the *Financial Times* after 25 years of writing on global politics, Philip Stephens reflected on a bygone age. In the mid-1990s, an 'age of optimism', Stephens writes, 'the world belonged to liberalism'.[1] The collapse of the Soviet Union, the integration of China into the world economy, the realization of the single market in Europe, the hegemony of the Third Way in the UK, and the 'unipolar moment' of US dominance presaged a century of 'advancing democracy and a liberal economic order'. But today, following the financial crash and its ongoing fallout, and turbocharged by the Covid-19 pandemic, 'policymakers grapple with a world shaped by an expected collision between the US and China, by a contest between democracy and authoritarianism and by the clash between globalisation and nationalism'. Central bankers, among the chief architects of 1990s neoliberalism, and, as chapters 2 and 3 showed, leading responders to the Great Financial Crisis (GFC) of 2007–2009, the Eurozone Crisis (EC) of 2009–2015, and the Covid-19 pandemic, have witnessed first-hand this disintegration of the promised-land and the emergence of a world in which many of the ruling classes' economic ideas and governing ideologies no longer stack up. What have they made of this period?

Across this chapter and the next I explore this question through case studies of the discourse of central bankers at the European Central Bank (ECB), the Federal Reserve System (Fed), and the Bank for International Settlements (BIS). Across both chapters, I develop a conception of central bankers as *organic intellectuals* of and for finance capital and analyse a dataset comprising speeches and policy documents from these institutions. As organic intellectuals of and for finance capital, central bankers are both technical specialists and political operatives who produce authoritative interpretations and

[1] Philip Stephens, 'The west is the author of its own weakness', *Financial Times*, 30 September 2021, https://www.ft.com/content/9779fde6-edc6-4d4c-b532-fc0b9cad4ed9

accounts of how monetary and financial systems work (Braun, Krampf, et al., 2021; Rosenhek, 2013) and seek to galvanize action among elites on particular issues. This means they play an important part in developing the 'mental images, technologies and organisations' (Cox, 1983, p. 168) that not only render the economic and financial worlds intelligible to the hegemonic bloc, but also provides it with a degree of 'homogeneity and consciousness' (Coutinho, 2012, p. 116), or what Gramsci (1971, p. 5) called 'an awareness of its own function'. In this way, central bankers are important intellectuals in the development and maintenance of hegemony.

In this chapter, I analyse a dataset of speeches from high-ranking central bankers at the ECB and the Fed that address economic, political, and social issues over the years 2009–2020—i.e., from the aftermath of the GFC to the first year of the pandemic. Focusing on how these organic intellectuals frame and seek to make sense of the repoliticization of the economy following the GFC, I delineate the emergence of three key discourses, which overlap and intertwine along multiple axes, but are analytically distinct from one another: (1) a climate of fear, (2) authoritarian neoliberalism, and (3) stakeholder capitalism.

First, I argue that the condensation over the past decade of a *climate of fear* has been driven by the repoliticization of 'the economy' and its management, and pivots around concerns that the rules-based, technocratically administered world order is coming apart, giving rise to recalcitrant nationalisms and populisms, inflationary and deflationary threats, economic stagnation, the loss of social cohesion, and threatening the demise of central bank independence (CBI). It has also been driven by the realization that many of the established theories of macroeconomic analysis and governance that central bankers draw upon are ill-suited to the post-GFC era. But if the open-market order—and by extension the prosperity of Western societies—is under threat, the independent central banker strides out into history as the latter's white knight, a protector of the common good of sound money and financial stability. This means that when monetary and financial systems are threatened or in crisis, the resolute technocrat, in the words of former Fed chair Ben Bernanke (2015, p. xiii), does 'what must be done—what others cannot or will not do'. In the context of these existential threats to social stability, the boring central banker is transformed in this discourse into a heroic figure, a guarantor of social stability and prosperity.

More fundamentally, though, in response to these varied threats associated with repoliticization, there has been an intensification of reactionary *authoritarian neoliberalism*, elements of which have already been explored in chapter 3, in which fiscal austerity, (neoliberal) structural adjustment, and the fortification of the rules-based, technocratically administered global order are advocated for as means of foreclosing democratic contestation and ensuring economic growth. But while pronounced in the early years of economic recovery from the GFC and the onset of the EC, this discourse of authoritarian neoliberalism has over recent years given way to that of *stakeholder capitalism*. Exponents of stakeholder capitalism, while approving of the essential market structures of neoliberal financial capitalism, and deeply wedded to technocratic economic governance, see a role for a more fiscally active state, for targeted policy fixes to address systemic inequalities, under-employment, and the climate crisis, for the 'greening' of finance, and even for consensual democratic renewal in some areas. I argue that stakeholder capitalism has developed in response both to years of popular discontent with austerity and the realization among elites that existing approaches to macroeconomic governance are increasingly ill-suited to the post-GFC world. It is a discourse that seeks to neutralize the repoliticization of the economy by symbolically bringing people 'into the tent' and smoothing out some of the rougher edges of the neoliberal order.

My analysis builds upon, but also departs from, existing literature from economic sociology and International Political Economy (IPE). Often mobilizing central bankers' speeches as a data source, a growing body of literature has explored the role of central bankers in arguing for, institutionalizing, and embedding private-market structures (Braun, Krampf, et al., 2021; Gabor & Ban, 2016; Krippner, 2011; Wansleben, 2020) and developing regulatory regimes (Baker, 2018; Erturk, 2017; Özgöde, 2021; Westermeier, 2018) so as to achieve governance aims or resolve policy conundrums. There is also a substantial literature on how central bankers seek to maintain legitimacy and render markets governable via their communication with markets actors (Moschella & Pinto, 2019; Wansleben, 2018) and the wider public (Braun, 2016; Tortola & Pansardi, 2019). Scholars have also explored processes of crisis narration and navigation among central bankers through the GFC and the Eurozone Crisis and traced how these narratives evolve over time (Baker, 2015; Ferrara, 2020; Rosenhek, 2013; Samman, 2019). Taken together, this literature highlights the important role of central bankers in developing and advocating for particular market regimes in elite circles and in communicating and legitimizing them to the wider public. However, few attempts have been made to theorize the discourse of central bankers within the wider political-ideological context of the post-GFC period and little attention has been paid to the broader ideological narratives that they promote. This chapter seeks to address this gap in the literature.

The dominant narratives or discourses that I identify in this chapter are clearly part of the wider neoliberal ideological constellation, which, to quote Quinn Slobodian and Dieter Plehwe (2020, p. 3), has over its 80-year life-span 'experienced kaleidoscopic refraction, splintering, and recombination', adapting to historical circumstances and combining with other worldviews in particular spatio-temporal junctures to produce novel ideological formations. Thus, in tracing out the development of these post-GFC discourses, this chapter contributes to what Slobodian and Plehwe (2020, p. 11) identify as the ongoing task of delineating the 'historical development and expansion of neoliberal ideas . . . while also tracking the linkages of elements of those worldviews to competing [or complementary] ideologies'. I do this in a novel way by: (1) providing a synthetic analysis of the broader ideological narratives that are promoted by central bankers in response to repoliticization, and the technocratic ideals that underpin these narratives; and (2) contextualizing these narratives within the context of 'uncertainty, confusion, and disagreement among the dominant elite' (Stahl, 2019, p. 336) following the GFC.

The remainder of the chapter is organized as follows. The first section introduces Gramsci's concept of the organic intellectual and discusses how this can be usefully applied to modern central bankers. The second section introduces the data and research methods that I use in this chapter and the next. The third section discusses the growing climate of fear in central bank discourse and situates this within the context of a more general erosion of elite ideological leadership in the post-GFC era. The fourth section discusses the two central ideological responses to this climate of fear in the form of authoritarian neoliberalism and stakeholder capitalism. A brief summary section concludes.

1: Organic Intellectuals of and for Finance Capital

As discussed in the thesis introduction, for Gramsci (1971) hegemony is reliant on the dominant classes' capacity to establish, maintain, and extend intellectual and moral leadership, presenting their particular class interests as the general interest. This can be accomplished through the development of hegemonic projects, which articulate an economic vision, formalized in a relatively coherent and scientifically valid policy paradigm that provides a means of implementing that economic vision through concrete reform (Jessop, 2016, chap. 3). If adopted and supported by dominant social groups, such a hegemonic project will become economic 'common sense'—a set of taken-for-granted assumptions that naturalize a contingent institutional and discursive configuration of 'the economy' and define the terms of acceptable debate. Elite coherence is thus a critical element of a functioning hegemony (Desai, 1994), and so struggles over economic common sense occur at both the popular level and among elites, particularly in periods of systemic crisis (Stahl, 2021b).

At both levels, intellectuals play a pivotal role in the struggle for and maintenance of hegemony (Gramsci, 1971, pp. 5-23). Gramsci famously distinguished between what he called 'organic' intellectuals and 'traditional' intellectuals. The former are those intellectuals who emerge 'organically' from within a particular social class or group and help to develop 'the mental images, technologies and organisations which bind together the members' of this class or group (Cox, 1983, p. 168). For Gramsci:

> Every social group, coming into existence on the original terrain of an essential function in the world of economic production, creates together with itself, organically, one or more strata of intellectuals which

> give it homogeneity and an awareness of its own function not only in the economic but also in the social and political fields (Gramsci, 1971, p. 5).

Thus, the development of the bourgeoisie was accompanied and enabled by the simultaneous development of a strata of industrial and financial technicians and experts in political economy. Conceptualized in this way, elite organic intellectuals are both technical specialists involved in the everyday management of capitalism and political operatives who work to 'endow' the social group to which they are organically connected 'with homogeneity and consciousness' (Coutinho, 2012, p. 116). They may also work to link the interests of this social group to 'society' at large by articulating hegemonic projects (Filippini, 2017, p. 67).

By contrast, traditional intellectuals, such as university academics, *appear* to transcend particular social interests by virtue of their supposed objectivity. Indeed, in Gramsci's estimation, traditional intellectuals are seen to stand somewhat outside of historical time, representing a 'continuity uninterrupted even by the most complicated and radical changes in political and social forms' (Gramsci, 1971, p. 7). Traditional intellectuals, putting 'themselves forward as autonomous and independent of the dominant social group' (Gramsci, 1971, p. 7), occupy 'an established social position apparently independent of particular class interests' (Salter, 2018, p. 468). Traditional intellectuals can therefore be distinguished from organic intellectuals through both their established social position *as* intellectuals and their traditionally formal modes of influence. The successful development and articulation of a hegemonic project will, to some degree, depend on its capacity to 'recruit' the traditional intellectuals to its cause, with these intellectuals acting as influential agents of legitimation.

Gramscian intellectuals can also be collective—that is, organizations can fulfil the social role of organic and traditional intellectuals (Bonfert, 2021; Shields, 2019). At the elite level, for example, this mapping, organizing, and connecting role is undertaken by a range of organic and traditional intellectuals, both individual and collective, from academic economists to privately funded think tanks, from industry lobby groups to high-level government bureaucrats, and from political leaders to liberal and conservative philosophers and public intellectuals. In the field of financial governance, international organizations such as the International Monetary Fund (IMF) and the World Bank are particularly important collective intellectuals, providing political-ideological leadership on issues such as economic governance and social policy and actively constructing and cultivating hegemonic projects. So too are central banks and central bankers.

At first glance, it may seem appropriate to frame central bank(er)s as *traditional* intellectuals. Central bank(er)s derive epistemic authority from their command over a highly technical and complex field—monetary and financial systems—and cultivate this authority in part through formal channels, generating and promoting 'authoritative interpretations of the financial and economic worlds' (Rosenhek, 2013, p. 259). This epistemic authority has been enhanced in the era of policy 'scientization' (Marcussen, 2006; Mudge & Vauchez, 2016) and financial globalization (Braun, Krampf, et al., 2021; Helleiner, 1994), with central bankers becoming tightly connected both to one another and to other policy elites via regular international conferences as well as closed-door meetings at the BIS, the latter of which are explicitly designed to foster mutual trust, cooperation, and knowledge-sharing.[2] In this respect, central bank(er)s are producers and disseminators of crucial policy knowledge and governmental technique (Baker, 2013b; Ban et al., 2016; Rosenhek, 2013; Westermeier, 2018). So too, the intellectual labour of central bankers has consequences beyond elite circles. As epistemic authorities on monetary and financial systems, central bank(er)s also work to tie their particular interpretations of, and preferred forms of governance for, these systems to diagnoses of the 'public interest' or 'common good'.

[2] Following Peter Haas's (1992, p. 3) typology, central bankers can therefore be considered to form something of a global 'epistemic community', as they share: (1) a set of normative beliefs regarding their virtuous role as guardians of monetary and financial stability; (2) a set of causal beliefs regarding, among other things, financial globalization, good governance, and the root causes of monetary and financial (in)stability; (3) notions of what constitutes valid knowledge, which are rooted in mathematical modelling and mainstream economics and policy science; and (4) a common policy enterprise in the pursuit of monetary and financial stability (Baker, 2015; King, 2005; Westermeier, 2018).

But viewing central bank(er)s as traditional intellectuals in the Gramscian sense means accepting at face value the carefully cultivated idea that they are independent public servants that stand 'outside' of particular social interests. As I argued in chapter 1, central bank(er)s are deeply tied to finance capital along a number of axes and predominantly 'reflect and refract' the latter's interests. Indeed, going further, central bankers should themselves be conceptualized as a constituent part of this social class. Recalling the discussion in chapter 1, central bankers and private financiers have historically been deeply professionally intertwined via the ubiquitous revolving doors between these spheres (Adolph, 2013; Jacobs & King, 2016; Kalaitzake, 2019; Seabrooke & Tsingou, 2021). They also tend to be epistemologically aligned—trained, for example, in mainstream economics and often coming from a select group of universities—and are mutually reliant on one another for specialized technical knowledge (Ban et al., 2016). Further, while central bank(er)s—as public–private governors—must juggle a set of sometimes competing policy objectives, the deep structural and infrastructural entanglements between central banking and private finance means that the latter's interests travel 'back through' the architecture of central bank policy implementation and influence policy formulation (Braun, 2020b; Braun, Krampf, et al., 2021). Inasmuch as they often come directly from, are intimately intertwined with, and govern alongside, finance capital, central bankers can thus reasonably be conceptualized as a constituent part of this fraction of capital. They are themselves *bankers*, involved in embedding private financial markets in the social fabric.

Given this set of interconnections between central bank(er)s and finance capital, I suggest it is both more accurate and more illuminating to conceptualize the former as *organic* intellectuals of and for the latter. This is to say that, inasmuch as they are intellectual and moral leaders, central bankers have developed 'organically' alongside, and are connected to, finance capital, and help to produce the 'mental images, technologies and organisations' (Cox, 1983, p. 168) that bind this fraction of capital together. Conceptualizing central bankers in this way draws attention to the role that they play in rendering financial and economic systems intelligible to finance capital, to the governing elite, and to the public at large, and in providing intellectual and moral leadership on how these systems should be understood and governed, not as disinterested, objective scientists but as fundamentally political actors, that (predominantly) reflect and refract the interests of a particular social class. While this term does not provide an adequate account of central bankers' social role *in general* (see, for example, the discussion in chapter 1), it does provide a useful conceptual and analytical lens to bring to bear on certain aspects of their intellectual activity. Specifically, as both this chapter and the next demonstrates, in their social role as organic intellectuals of and for finance capital, central bank(er)s make claims, and seek to persuade others, about where and how the boundaries between elected power and technocratic expertise—or, alternatively, between 'the political' and 'the economic'—should be drawn and how they should be maintained (this chapter). They also make claims, and seek to persuade others, as to what 'the economy' is, how it works, and how it should be analysed and managed (chapter 5).

My conceptual approach here builds upon, but also contrasts with, several strands of the existing sociological and IPE literature on the intellectual output of central bank(er)s. First, there is a growing body of work that demonstrates how central bank(er)s have historically been very active in arguing for, institutionalizing, and embedding private-market structures in the social fabric so as to achieve governance aims or resolve policy conundrums. For example, recent scholarship has shown how central bank(er)s were active in advocating for and institutionalizing the development of the Eurodollar markets in the 1970s (Braun, Krampf, et al., 2021), the liberalization of financial markets in the 1980s and 1990s (Helleiner, 1994; Krippner, 2011), and the construction of repo markets in the US and EU in the 1990s and 2000s (Braun, 2020b; Gabor & Ban, 2016; Wansleben, 2020). This literature has also examined how central bank(er)s actively develop and promote new means of governing financial markets (Baker, 2013b), which includes the development of particular discourses such as that of 'systemic risk' (Özgöde, 2021; Westermeier, 2018) or 'shadow banking' (Erturk, 2017).

A related body of literature, focused on the communication strategies of central bank(er)s, has shed light on how these actors navigate potential challenges to their legitimacy and their capacity to govern effectively, by, for example, carefully managing policy expectations in conditions of fundamental uncertainty (Holmes, 2013; Moschella & Pinto, 2019; Wansleben, 2018), creatively interpreting their mandates (Schmidt, 2016), and promoting particular theories of money and monetary stability to the wider public (Braun, 2016). Utilizing both public speeches and internal policy documents as sources, economic sociologists and political economists have also explored processes of crisis narration and navigation among central bankers through the GFC and the EC (Baker, 2015; Rosenhek, 2013; Samman, 2019). Here, scholars have drawn attention to the particular economic ideas, paradigms, norms, technical apparatuses (Abolafia, 2010; Blyth, 2013; Fligstein, Stuart Brundage, & Schultz, 2017; Helgadóttir, 2016), and ideological investments (Matthijs & McNamara, 2015; Ryner, 2015), that underpin these processes of sense-making at central banks and other elite policy organizations, and how these are subject to change over time. On this latter point, for example, research mobilizing the dataset of speeches by ECB Executive Board members has shown how the ECB expanded the scope of its policy messages in response to growing public dissatisfaction with the Eurozone following the GFC (Moschella, Pinto, & Martocchia Diodati, 2020), how Mario Draghi's language became more explicitly political and charismatic as the crisis dragged on (Tortola & Pansardi, 2019), and how a battle of ideas played out between members of the Executive Board as to how the crisis should be interpreted (Ferrara, 2020).

Taken together, this body of work amply highlights the highly political role that these supposedly neutral technocrats play in advocating for particular market regimes in elite circles and in communicating and legitimizing them to the wider public; it also provides valuable insights into processes of sense- and meaning-making at central banks. To date, though, few attempts have been made to theorize the discourse of central bankers within the wider political-ideological context of the post-GFC moment and limited attention has been given to the broader ideological narratives that these organic intellectuals promote. This chapter and the next aim to address this gap in the literature.

2: Data and Methods

A growing body of literature has developed around the rich dataset provided by central bankers' speeches (e.g., Braun, Carlo, Diessner, & Düsterhöft, 2021; Moschella et al., 2020; Samman, 2019). Following this literature, both this chapter and the next exploit the BIS's online database of central banker speeches.[3] These speeches are predominantly given to high-level audiences of policymakers and financiers at central banks, international organizations, financial regulatory institutions, universities, think tanks, and financial-services associations and set out to convince the audience of a particular course of action or a particular way of viewing a policy problem.

Given this orientation, the analytical methods that I employ in both this chapter and the next are broadly informed by Fairclough and Fairclough's (2012) approach to analysing 'practical argumentation' in policy. This approach is derived from scholarship on the 'argumentative turn' in critical discourse analysis and critical policy studies (see F. Fischer & Forester, 1993; F. Fischer & Gottweis, 2012). In this field, scholars have argued that focusing on representations and narratives in discourse analysis—discourses as 'semiotic ways of construing the world' (N. Fairclough, 2013, p. 179)—while important, does not take analysis far enough, as political discourse is fundamentally oriented towards *achieving* desired outcomes (N. Fairclough & Fairclough, 2015, p. 194). Applying this insight to the policymaking arena, Fischer and Gottweis (2012, p. 7) argue that policymaking 'is fundamentally an ongoing discursive struggle over the definition and conceptual framing of problems, the public understanding of these issues, the shared meanings that motivate policy responses, and criteria for evaluation'. In other words, policy discourse is fundamentally a process of *practical argumentation* (I. Fairclough & Fairclough, 2012); in turn, this work is intimately tied to the pursuit of intellectual and moral leadership and the development and (re)articulation of hegemony.

Fairclough and Fairclough (2012, chap. 2) provide a useful framework for analysing the process of practical argumentation, identifying five core elements of practical arguments: a circumstantial

[3] See: https://www.bis.org/cbspeeches/index.htm?m=7_123

premise (C), a goal premise (G), a values premise (V), a means–goal premise (MG), and a practical claim/conclusion. The circumstantial premise is the representation of existing reality—for example, the construction of a policy problem. A policy problem can be understood as 'simultaneously what explains difficulties and what demands solutions' (N. Fairclough, 2013, p. 186). The goal premise is the representation of a desirable (imagined) future outcome or state of affairs. G is developed in respect to both C and V: the desired future state of affairs (G) is shaped by the representation of existing reality (C) and also the underlying values, concerns, and orientation of the actors involved (V). The values premise is thus the set of normative/ideological claims that explicitly or implicitly underpin both the construction of C and G. The means–goal premises are the various courses of action that are constructed as possibly accomplishing the move from C to G in accordance with V. Finally, the claim/conclusion is the MG that is advocated for. Importantly, 'agents often pursue complex series of goals in which the achievement of one goal is a means of achieving further goals', and 'achieved goals become parts of the circumstances in further arrangements' (N. Fairclough, 2013, p. 184). In this respect, policymaking as practical argumentation involves the formulation of *strategies*: complex plans of action in which G is achieved through a cascading series of MG–C interactions (I. Fairclough & Fairclough, 2012).

Overall, this methodology provides me with a flexible approach that helps me to systematically delineate the overarching arguments and themes that are developed across relatively large corpuses of data and to also zoom in on particular 'moments' of individual arguments.

In this chapter, the primary data source is speeches made by members of the ECB's Executive Board, members of the Fed Board of Governors, and presidents of regional Fed banks. These individuals are members of the main decision-making bodies of their respective banks. The Governing Council of the ECB is comprised of the six members of the Executive Board, including the president and vice president, who are appointed by the European Council, and the governors of the 19 national banks of the Eurozone member states.[4] The Board of Governors and the Federal Open Market Committee (FOMC) are the core decision-making bodies at the Fed. The Board of Governors is comprised of seven governors, including the chair and vice chair, who are nominated by the US president and ratified by the Senate. The 12-member FOMC, which sets monetary policy, is comprised of the seven members of the Board of Governors plus the president of the New York Fed, who retains a permanent seat on the FOMC; the remaining four positions are filled by the presidents of the other 11 regional Federal Reserve banks, who rotate into these positions yearly, and are elected by the stakeholders of their bank—that is, by representatives of their regional banking systems.

The entire corpus of 1,630 speeches from ECB Executive Board members and 1,142 speeches from Fed officials for the years 2009–2020 was downloaded from the BIS's database and fed into the NVivo text-analysis software. In a first round of analysis, I sifted through these large datasets using keyword searches that would allow me to find speeches focused on broader social, economic, and political issues and CBI, rather than technically oriented speeches about the particulars of monetary and financial policy. Following this, I performed an initial read through of the top 10 results in each category to compile a workable dataset of 53 speeches from the ECB and 51 speeches from the Fed for closer analysis, making sure to get a relatively even distribution of speeches across the period 2009–2020 (a full list of the speeches analysed in this step can be found in appendix). Utilizing Fairclough and Fairclough's methodology as a guide, I then manually read through and coded this smaller corpus of speeches, developing a set of themes as I worked through the data. This step was repeated to help verify the themes that I identified and the links that I drew between them. To locate the data within the wider context of elite discourse following the GFC, I supplemented this analysis with a range of policy outputs from international organizations such as the Bank for International Settlements, the International Monetary Fund, and the World Economic Forum (WEF), and books and columns from leading Anglophone public intellectuals.

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4 The governors of the national central banks of the European System of Central Banks (ESCB) are appointed by the governments of those countries.

Before turning to the analysis itself, two clarificatory points are in order. First, there are clear ideological and ideational divisions within both the ECB and the Fed. For example, over the course of the EC, the ECB Executive Board was divided on the issue of ECB support of member-state debt, with Jürgen Stark, a staunch advocate of austerity and inflation-targeting, famously resigning in protest to the ECB's support of peripheral Eurozone economies in 2011. Likewise, there are tensions within and between the Fed Board of Governors and regional Fed presidents, who represent an array of political positions. Thus, recalling the Poulantzian conception of the state, it is important not to approach these institutions as monoliths, but instead as strategic fields subject to, and shaped by, cross-cutting networks of power and ideology. Given this, I avoid referring in this chapter to the 'Fed's view' or the 'ECB's view' on particular issues, highlighting instead how particular, influential *individuals* within these institutions think and talk. Second, this last point notwithstanding, there is a clear difference between the Fed and the ECB in terms of the two banks' institutional style of communication and the scope of their intellectual and moral leadership. While the ECB is typically thought of as the quintessential technocratic institution, its Executive Board members are in fact incredibly strident in their political-ideological leadership and are frequently outspoken on policy issues not directly related to central banking (Braun, Carlo, et al., 2021). In contrast, Fed officials typically strike a drier tone, and engage less frequently with policy issues outside of their explicit purview. This discrepancy between the two is likely related to the comparatively stronger independence of the ECB (Bibow, 2013; Fontan, 2018), which provides its leaders a certain safety in speaking out without fear of political 'backlash', an issue that remains beyond the scope of the present chapter.

3: A Climate of Fear

Reflecting the wider state of shock that befell Western (neo)liberals on the night of Donald Trump's election to the office of the president of the United States, David Runciman, Cambridge political scientist and long-time contributor to the *London Review of Books*, pondered whether we were witnessing the death of liberal democracy. 'This is the crisis facing Western democracies', Runciman

(2016) fretted, ‘we don’t know what failure looks like anymore and we have no idea how much danger we are in’. One of the dominant reactions to this state of epistemic disorientation and anxiety among the (neo)liberal intelligentsia has been to dredge up the nightmare of the 1930s, a time in which the collapse of the liberal international order opened out onto the ‘twin tyrannies’ (Moore, 2009) of communism and fascism in Europe. Four years prior to Trump’s election, the World Economic Forum’s ‘Global Risks’ assessment had already made for grim reading, warning that the ‘seeds of dystopia’ were borne on the prevailing winds of ‘high levels of unemployment’, ‘heavily indebted governments’, and ‘a growing sense that wealth and power are becoming more entrenched in the hands of political and financial elites’ following the GFC (WEF, 2012, pp. 10, 19). Reflecting on the implications of the financial crisis, Martin Wolf (2015, pp. 382-383), long-time economics columnist for the *Financial Times*, had recognized in 2015 that ‘elites have failed and, as a result, elite-run politics are in trouble’; we have thus seen

> the emergence of populist political forces – xenophobic populists of the right and egalitarian populists of the left. What these share is an ability to muster the inchoate anger of the disenchanted and the enraged who feel, understandably, that the system is rigged against ordinary people. History suggests that such anger will not end well.

Perhaps surprisingly, central bankers, while not prone to hyperbole and looking always to project stability and confidence in their public remarks, have also expounded this fear-filled rhetoric in the decade following the GFC, albeit in an often-understated way. In this section, I examine the fear-filled nature of central bank discourse after the financial crisis. As Erturk (2017) has noted, since 2008 central banks and financial regulatory institutions have been particularly afraid of another systemic credit event in the shadow banking system. But they have also been haunted by the globalization backlash, sustained economic dysfunction, and growing threats to CBI over this period, and it is these latter areas that I focus attention on. I am less interested in debating the veracity of these fears than

I am in mapping them out so as to better make sense of how central bankers have conceptualized and interpreted the world after the credit crash. While this climate of fear is articulated at both central banks—and is echoed in the wider discourse of the Western policy establishment and (neo)liberal intelligentsia (Foster & el-Ojeili, 2021)—it is more pronounced at the ECB, with Fed officials typically more understated in their treatment of the economic and political challenges of the post-GFC world.

3.1: Threats and fears

To the globalization backlash, Donald Kohn, vice chair of the Fed and important architect of the response to the GFC, summed up the immediate fears of central bankers following the crash in a speech at the College of Wooster in early 2009: 'One risk is that the crisis and the accompanying deterioration in economic conditions will lead to increases in protectionism and financial nationalism' (Kohn, 2009). While this turned out not to be the case in the years immediately following the GFC, as the Eurozone debacle dragged on, the Brexit referendum got underway, and Trump rose to claim the Republican nomination, the growth of nationalist and protectionist sentiments would increasingly come to dog central bankers. Thus, in September 2016, reeling from the Brexit vote several months earlier, president of the ECB Mario Draghi surveyed the turning tide: while globalization 'has liberated hundreds of millions of people from crushing poverty', he noted to an audience of Italian policymakers, 'in advanced economies the real incomes of those in the lower half of distribution have remained at the same level as a few decades ago. It is not surprising then that many have felt left behind. Anxiety is growing' (Draghi, 2016b). One year later, speaking at the premiere central banker conference in Jackson Hole, Wyoming, Draghi noted that the situation had not improved. The 'social consensus' on the benefits of open markets has 'been weakening in recent years', driven 'not so much by a belief that open markets no longer create wealth, but by the perception that the collateral effects of openness outweigh its benefits' (Draghi, 2017). Invoking Karl Polanyi's famous argument, Draghi (2017) reminded his audience that while 'protectionism is society's natural response' to unchecked market forces, it is crucial to 'resist protectionist urges'. Disappointingly, though, many policymakers have thrown fuel on the fire, pursuing policies ‘reminiscent of the interwar period: isolationism, protectionism, nationalism’ (Draghi, 2016b). Echoing his peers at the ECB, in May 2017, president of the New York Fed William Dudley informed a group of bankers at the Bombay Stock Exchange that ‘we are at a particularly important juncture. If support for liberalized trade and an integrated global economy were to suffer a significant setback, the consequence could be slower economic growth and lower living standards around the world’; the ‘siren-like appeal’ of protectionism must be resisted (Dudley, 2017a).

For members of the ECB, the more proximate and pressing threat has been the breakup of the currency union. As Frenchman Benoît Cœuré, member of the Executive Board and one of the bank’s more eloquent defenders of the European project, told policymakers in 2017, at a conference marking the 25th anniversary of the conclusion of the Maastricht Treaty: ‘European integration and “globalisation” are at least partly based on the same principles. So it is no surprise that the acute concerns expressed about globalisation today coincide with equally acute doubts over European integration’ (Cœuré, 2017). Four years earlier, Cœuré had laid out the political stakes across a series of speeches. Recalling the terrible period between 1914 and 1945, for Cœuré (2013a), ‘it is worth remembering that the European project emerged from a moral imperative. . . . a project of peace, democracy, freedom and economic reconstruction. . . . European integration has been our quest to achieve a common civilisation’. Today, though, in the midst of severe economic dysfunction and political deadlock, there is ‘a creeping temptation to take this achievement for granted and to underestimate the risks posed by nationalist tendencies being stirred up by the crisis in Europe’ (Cœuré, 2013a). ‘We can witness today a renationalisation of European politics, including when it comes to protest against European policies. This renationalisation carries with it the seed of an erosion of our common values’ (Cœuré, 2013a). Thus, ‘What is at stake is nothing less than the sustainability of the European social market economy’ (Cœuré, 2013b). While the EU and the Eurozone once held out ‘a promise of economic prosperity and protection for European workers in times of technological change and increased global competition’, after a tumultuous decade, ‘many today feel that Europe has not kept its promise' (Cœuré, 2017). Indeed, as Cœuré's colleague Yves Mersch reminded an audience of European policymakers in Linz, at its height the Eurozone Crisis 'threatened the very functioning of our democracies' (Mersch, 2018b).

But the 'integration' backlash is not, of course, confined to Europe, and as the decade wore on European central bankers became increasingly concerned by the fracturing of the rules-based world order itself. As Draghi noted in a series of speeches towards the end of his tenure, across the world 'we are seeing little steps back in history' (Draghi, 2018), returning to a mode of thinking in which 'the prosperity of some cannot be achieved without the poverty of others' (Draghi, 2019c). An important issue for these figures is, to quote Mark Carney (2021, p. 2), former Bank of England governor, 'the collapse in public trust in elites' (see also: Shafik, 2017). As Draghi lamented to a university audience in Milan:

> Today . . . we are living in a world where the salience of knowledge in policymaking is being challenged. Trust in objective facts, born of research and provided by impartial sources, is diminishing, to be replaced by subjectivity and the fragmentation of opinion into echo chambers. In this setting, it would be easy for policymakers to mirror what they believe to be the public mood: to turn away from expertise and adopt more partial perspectives, and to follow instinct rather than reason. But this does not typically serve the public interest (Draghi, 2019b).

Half a year later, Draghi's counterpart at the Fed, Jerome Powell (2020a), noted to an audience at Stanford that 'We live in a time of intense scrutiny and declining trust in public institutions'. Part of the problem here is the pernicious narratives about globalization and economic integration. Speaking on the issue of Brexit and its implications for banking to members of SUERF, Europe's premiere association of private financiers, central bankers, and regulators, Peter Praet of the ECB noted that the 'outcome of the UK referendum can be partly attributed to the decades-long development and spread of negative popular narratives about European integration'; indeed, 'narratives are often key determinants of economic and political outcomes' (Praet, 2017). For central bankers seeking to provide stability, then, it is not only 'important to be wary' of this 'anti-establishment and anti-globalisation narrative', but to actively counter it (Praet, 2017). However, the sense that the EU is run by aloof technocrats does not help. As Executive Board member Isabel Schnabel (2020a) noted, the functioning of monetary policy—quantitative easing in particular—'is complex and its relationship to the mandate of the central bank not easy to understand. Complexity often fuels suspicion. Hence the new measures are being questioned by parts of the public and some politicians'. And 'When people feel that their voices are no longer being heard and that they are no longer represented', Sabine Lautenschläger (2019) of the ECB noted, 'populists find it easy to undermine the system and propagate simple solutions'. Relatedly, the GFC caused many Americans to lose trust in the banking sector, catalysing a push by the New York Fed to reform the culture of the financial services industry. As a high-ranking New York Fed official argued:

> The bedrock of the financial system is trust. . . . We saw seven years ago that the public's trust is critical in a crisis. The repair of the financial system would not have been possible without public support. If another crisis were to happen tomorrow, would there be that support? (Musalem, 2015).

Of course, anti-establishment and anti-globalization narratives need fertile ground to grow in, and here the central bankers are clear-eyed. For Cœuré (2018a), the crisis is deeply rooted in 'the acceleration of globalisation and technological progress in the past 30 or so years'. Today, many feel that 'the open market has weakened our democratic control'. For his colleague Jörg Asmussen, Europe's predicament is one of 'polycrisis' (Tooze, 2021), and the road to reform is long. In 2013 he argued that,

> We are simultaneously facing a banking crisis, a crisis of public and private debt, a competitiveness crisis and a crisis of trust in institutions and political decision making. There is no magic bullet that can solve it. We are in the middle of a decade of adjustment (Asmussen, 2013).

For Dudley, at the Fed, while the conjunctural issue of the GFC and the slow recovery ‘have been significant. . . . just as important have been longer-term trends, such as growing income inequality, the loss of middle-income jobs, and the rise of large emerging market economies such as China and India’ (Dudley, 2018). Or, as he noted in another speech, ‘For too many individuals in the United States . . . the American dream has been put at risk, with parents increasingly pessimistic about whether their children will have the opportunity to do better than they did’ (Dudley, 2017a). Moreover, the rules that were meant to underpin globalization ‘were not sufficient to prevent it from causing severe distortions’ (Draghi, 2018), and following the election of Trump, the US has abdicated from its role as the champion and enforcer of liberal globalization (Cœuré, 2018a). For Bernanke, a deeply dysfunctional Congress and a truculent Republican party are major roadblocks to progress in the US, and risk allowing the American economy to ‘fall tragically short of its extraordinary potential’ (Bernanke, 2015, pp. 430-434, 579).

All up then, ‘Change is necessary’, as Draghi (2019c) noted in one of his last speeches as president. But so too is intellectual and moral leadership on the necessity of open markets, which, for Fed chair Janet Yellen (2011), continue to ‘represent a long-run goal to which policymakers should remain committed’, even if some adjustment to new realities is necessary. In Europe:

> policymakers should not shy away from the political discussion, but they also need to enter into the fundamental economic debates about free markets, free trade and free capital flows, and spell out how the European project has helped reap the benefits while addressing the costs (Cœuré, 2017).

But the threat posed by an unravelling liberal world order and the necessity for change opens out onto another set of fears, wrapped up in the continued economic dysfunction following the GFC (see chapter 2) and the evaporation of a coherent policy paradigm through which to understand and therefore govern global capitalism (see chapter 5). In the years immediately following the GFC, the central issue was ‘excessive’ government debt burdens. Preaching the necessity of fiscal consolidation at Jackson Hole in 2010, Trichet (2010b) raised the cautionary tale of Japan, a country that 'chose to live with debt' in the 1980s and suffered a 'lost decade' in the 1990s as a result. As it turned out, the application of fiscal austerity in Europe through the 2010s ensured low growth across the continent and did little to fix the sovereign-debt problem. In the same year, while the Fed was propping up the mortgage-backed securities market during QE1 (see chapter 3), Bernanke highlighted the 'daunting' fiscal challenges facing the US, the product of 'powerful, underlying trends' such as an ageing population and rising healthcare costs. 'One way or other', he noted, 'fiscal adjustments sufficient to stabilize the federal budget will certainly occur at some point' (Bernanke, 2010b). The question was whether this adjustment would be made after a deliberative process that enabled a period of adjustment, or if it would be catalysed by market discipline—'a rapid and painful response to a looming or actual fiscal crisis' (Bernanke, 2010b). These concerns were echoed in the pages of the *Financial Times* and the *Economist*, as well as by major policy institutions such as the IMF and the BIS, with the threat of market discipline constantly evoked as justification for fiscal retrenchment and punishing austerity. As former IMF economists Carmen Reinhart and Kenneth Rogoff infamously warned in 2010, prudent governments pay down public debt, because 'market discipline can come without warning'.[5]

However, as the decade wore on and austerity proved ineffective, the central problem shifted from 'excessive' government debt burdens—and the related, omnipresent fear of a return of inflation—to concern over the sluggish nature of the economic recovery in many advanced economies and the persistence of lowflation. A debate developed in mainstream economics as to whether the

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[5] Carmen Reinhart and Kenneth Rogoff, 'Why we should expect low growth amid debt', *Financial Times*, 28 January 2010, https://www.ft.com/content/f4630910-0b7a-11df-8232-00144feabdc0. Reinhart and Rogoff's argument was based on their analysis of two centuries of data on public debt. Their paper in the *American Economic Review* purported to provide empirical evidence that once public debt hit around 90% of GDP, economic growth slowed significantly (Reinhart & Rogoff, 2010). These findings were used by politicians in the UK and Eurozone to justify the need for austerity in the wake of the crisis (Cassidy, 2013; Tooze, 2018a, pp. 347-349). However, researchers at the University of Massachusetts Amherst found a number of coding errors, unconventional weighting, and the exclusion of relevant data in Reinhart and Rogoff's analysis (see Herndorn, Ash, & Pollin, 2013). When the dataset was correctly edited and weighted, Reinhart and Rogoff's findings were largely nullified.

persistently slow output and employment growth in the major Western economies following the crash was evidence of 'secular stagnation' (e.g., Gordon, 2012; Stiglitz, 2017; Summers, 2014)—that either (or both) a permanent shortfall in demand or supply has been baked into advanced economies, restricting potential growth—or the overhang of a 'debt supercycle' (e.g., Bernanke, 2012; BIS, 2015; Koo, 2014; Rogoff, 2015)—that the huge debt burdens left behind by the financial crisis were restricting growth as the private sector focused on balance-sheet consolidation. Regardless of cause, as Yellen noted in 2015, looking tentatively to the potential of 'normalizing' monetary policy—that is, raising interest rates and unwinding the central bank balance sheet—'the recovery of the labour market from the deep recession following the financial crisis was frustratingly slow for quite a long time' (Yellen, 2015). In Europe it was even worse. In 2016, Vítor Constâncio, vice president of the ECB, admitted that despite the fact that nearly a decade had passed since the onset of the crisis, 'it is no secret that economists and policy-makers are baffled and disappointed with the lacklustre nature of the ongoing recovery' (Constâncio, 2016).

The Covid-19 pandemic and the increasing effects of global heating has unleased a new set of challenges. Speaking to eurocrats in September 2020, Schnabel (2020c) rattled off a host of severe and chronic economic challenges facing the Eurozone going forward: rising government indebtedness (again!), a 'worsening demographic outlook', the need to transition to an environmentally sustainable economy, low productivity growth, and sustained lowflation (the latter of which was to reverse in 2021). And despite progress being made in the form of the Next Generation EU fund, under which €750 billion, raised by the European Commission, is available to member-states in the form of loans and grants, 'the euro area is still far from being a fiscal union' (Schnabel, 2020c). Further, as she noted in a speech earlier in 2020:

> Years of subdued inflationary pressure and weak demand have already exhausted conventional policy space across the industrialised world. And although central banks have successfully relaxed the

constraints of the zero-lower bound, the risks to financial stability and other side effects emerging from a protracted and intense usage of non-standard measures are likely to rise (Schnabel, 2020b).

Attempts to normalize monetary policy have thus far failed. Structurally, Western economies have remained reliant, for more than a decade, on extraordinary support from the central banks. Looking to the future of the European project, then, Lagarde (2020b) warned that there would not be any let up in the near term: Covid-19 has rammed home the threats posed by climate change and 'All of the available evidence shows that climate-related risks are real and have major consequences for our economy. A disorderly transition to a low-carbon economy could pose systemically relevant risks'.

As if all this were not enough, the fracturing of the liberal economic order, continued economic dysfunction, and the heavy burden placed upon central banks over this period have all had potentially severe implications for the future of CBI. As noted in chapter 3, there has been significant political backlash against both the ECB and the Fed over the past decade, from both left and right. As Mersch noted to a group of central bankers in Frankfurt in 2017, speaking on the topic of 'Building the Financial System of the 21st Century', following the GFC central banks have been 'entrusted with powers and responsibilities going beyond their traditional monetary policy mandate'; this has resulted in claims that 'central banks have been over-stretching their mandates, blurring or even crossing the line into fiscal and economic policy', and 'influencing the distribution of income and wealth and subsidising the financial sector at the expense of society as a whole' (Mersch, 2017). The repoliticization of money and its management has thus become a persistent concern for central bankers (e.g., Borio, 2019; Mersch, 2019; Tucker, 2018), who worry that this 'populist moment of fear and anger and ignorance', to quote former New York Fed president Timothy Geithner (2014, p. 209), clouds the judgement of both the public and their representatives and impedes sensible policymaking. As Geithner's successor at the New York Fed argued, while the response to the GFC was 'fundamentally unfair' in its unconditional support for Wall Street and relative lack of concern for 'ordinary Americans', we must avoid making changes to the Fed's mandate and powers 'based on an emotional, unreasoned response in reaction to the pain associated with the financial crisis' (Dudley, 2016).

With a return to strong growth always seemingly out of reach, central bankers have come to tell a tale of being 'overburdened' (Mabbett & Schelkle, 2019), 'the only game in town', as Raghuram Rajan, former IMF chief economist and former governor of the Reserve Bank of India, quipped in a widely circulated article.[6] As José González-Páramo (2012) of the ECB argued, 'All too frequently, the common monetary policy has been left to play its role in resounding solitude'. In like fashion, in his post-Fed memoir, Bernanke (2015, p. 491) recalled that the Fed's decision to launch QE2 was largely taken for lack of action on other fronts: 'The reality was that the Fed was the only game in town. It was up to us to do what we could, imperfect as our tools might be'. But as Asmussen (2013) put it to his audience at the *Economist*'s Bellwether Europe Summit, 'Monetary policy is not an all-purpose weapon for any kind of economic illness', and so the results have been suboptimal.

In sum, the climate of fear that has thickened over the past decade in central banking and beyond pivots around five main perceived and real threats to the stability and longevity of the global open-market order and rational technocratic economic governance. First, the globalization backlash, which has intensified markedly since 2016, and the related growth of Euroscepticism. Second, the proliferation of anti-elitism and the decline of public trust in established institutions and experts, which has been turbocharged in recent years by the breakdown of public discourse and shared frames of reference. Third, continued economic dysfunction and sluggish growth following the GFC, and the inability of policymakers to understand the causes of this dysfunction or provide remedies for it.

[6] Raghuram Rajan, 'The only game in town', *Project Syndicate*, 19 October 2012, https://www.project-syndicate.org/commentary/the-limits-of-unconventional-monetary-policy-by-raghuram-rajan?barrier=accesspaylog. Rajan argued against the continued reliance on monetary stimulus in the advanced economies, and in particular against the Fed's recently launched QE3, on the grounds that it enabled politicians to abdicate responsibility for macroeconomic adjustment. What was needed instead was for central bankers to impose some discipline. As Rajan argued: 'In democracies, when there are no other alternatives, politicians often eventually do the right thing. By creating the impression that something beneficial is being done, unconventional monetary policy relieves pressure on politicians. So, when central bankers argue that they are the only game in town, they are ensuring that outcome'. Rajan's argument has been widely echoed across the policy establishment and economic commentariat over the past decade.

Fourth, the increasingly urgent and not yet internalized problem of global heating and ecological destruction, which poses an existential threat to financial stability (not to mention human civilization). Finally, and perhaps most importantly, the 'overburdening' of central banks over the past decade has generated political blowback, threatening to erode central bankers' prized independence from government and bringing with it the spectre of inflation. I have summarised these core threats, and the forces that central bankers identify as their causes, in Table 4.1.

Table 4.1. Major threats to open-market order.

Threats	Causes
• *Protectionism, nationalism, populism*	• Negative narratives about globalization/integration • Economic fallout from globalization • Incomplete Eurozone architecture
• *Declining public trust in elites and institutions*	• Disconnect between policymakers and citizens • Fracturing social cohesion • Sustained economic dysfunction
• *Sustained economic dysfunction: weak growth, high debt burdens, threat of inflation and actuality of deflation, erosion of 'policy space'*	• Secular developments (e.g., ageing populations) • Balance-sheet consolidation • Reckless government borrowing • Incompleteness of Eurozone architecture
• *Global heating, causing potentially catastrophic financial disruptions*	• Man-made climate change • Financial-sector complacency
• *Demise of CBI*	• Overburdening of central banks • Sustained economic dysfunction • Declining public trust in elites and institutions

Sources: ECB and Fed central banker speeches, 2009–2020.

At the root of these fears, I have contended, is both the epistemological uncertainty and the repoliticization of 'the economy' and its management catalysed by the GFC. While the long 1990s were characterized by the depoliticization and dedemocratization of economic governance, the GFC revealed that politics had never been successfully erased. The hubris of this era should not be understated. As Claudio Borio of the BIS put it at SUERF's annual lecture, hosted in Milan for 2019, 'During the Great Moderation, economists believed they had finally unlocked the secrets of the economy. We had learnt all that was important to learn about macroeconomics' (Borio, 2019). And in his ponderous post-governorship account of how global capitalism can be saved from the triple-threat of financial instability, Covid-19, and climate change, Carney (2021, p. 151) recalls 'how different things were' prior to the crash—a period of 'seemingly effortless prosperity' in which 'Borders were being erased'. With the neoliberal world order and its ideologies coming under sustained pressure over the past decade, it is little wonder that central bankers have been unsettled. But if politics is out of the bag, how best to stuff it back in? As I examine in section 4, there have been two main ideological responses in central banking to this question in the form of (1) a reactionary authoritarian neoliberalism and (2) a conciliatory stakeholder capitalism, which each seek to address repoliticization in different ways. Before turning to analyse these discourses, however, it is worth briefly examining how central bankers have positioned *themselves* in relation to this fractious landscape, particularly in response to the perceived threats to CBI.

3.2: The central banker as hero

In response to the threats to CBI discussed above, central bankers have employed three main discursive strategies. The first response has been to guard against the further expansion of central bank mandates and to advocate for the 'normalization' of monetary policy as fast as possible so as to avoid any reason for political 'interference'. On the subject of central banks incorporating climate change into their monetary policy decision-making, for example, Mersch stressed that:

> The bigger threat to price stability over the long run does not lie in relative price changes, but rather in a loss of independence by central banks following a situation in which they have ventured far into a political agenda with distributional consequences (Mersch, 2018a).

For the likes of Mersch, the breakdown of the biosphere presents less of a threat to the value of money than the erosion of central bankers' independence: price stability *über alles*. The very hawkish Charles Plosser of the Philadelphia Fed provided a similar argument against QE: 'Central banks that breach their boundaries risk their legitimacy, credibility, and ultimately, their independence. Given the benefits of central bank independence, that could prove costly to society in the long run'; thus, there is the need to maintain 'clear boundaries between monetary and fiscal policies' and resist 'the use of the [central bank] balance sheet as a new policy tool' (Plosser, 2012).

However, while the fear of losing independence is widespread across the speeches surveyed for this chapter, the political economy of the past decade has meant that central bankers have struggled to avoid this 'mission creep' and many have begrudgingly accepted the need to employ new tools. Consequently, two further discursive strategies have been deployed: (1) downplaying the expansion of central bank power over the post-GFC period as bland institutional learning; and (2) highlighting its absolute necessity as a form of heroic action to stave off disaster.

The first strategy was discussed in chapter 3. Here, the extraordinary crisis responses and unorthodox monetary policies of the past decade are framed as logical, apolitical extensions upon the age-old tasks of the central bank as lender of last resort and guardian of price stability. As Draghi (2018) put it, reflecting on two decades of the euro at the University of Sant'Anna: while the ECB's response to the EC was 'unprecedented, the shift was only in form, not in function'. Or as Powell, defending the Fed against accusations of overreach in Washington DC, argued, the Fed's actions during the GFC were 'very much in keeping with the traditional role of the Fed and other central banks' (Powell, 2015). It is certainly true that the institutional evolution of the central banks over the past decade has been marked; but as I argued in chapter 3, this narrative downplays the wider political-economic and ideological significance of the shifts in central banking over the past decade and has a strongly depoliticizing valence, rendering these developments as mere extensions of sensible, 'time-honoured' practices of 'good' governance.[7]

The second, more striking, strategy has been to justify the expansion of central bank intervention on that grounds that central bankers were acting out of necessity, doing 'what must be done—what others cannot or will not do' (Bernanke, 2015, p. xiii). Exemplary of this line of argument are the GFC-centred memoirs of Geithner and Bernanke. Both tell tales of the authors' heroic attempts to save the American economy, a task which meant recognizing that 'the politics of crisis management are always untenable' (Geithner, 2014, p. 505) but nevertheless having 'the courage to act' anyway (Bernanke, 2015). In times of acute crisis, the central banker strides out into history as the brave defender of the common goods of sound money and financial stability. Thus, for Bernanke, while 'History is full of examples in which the policy responses to financial crises have been slow and inadequate' (Bernanke, 2009), by acting decisively in 2008 Fed officials ensured that 'the world was spared an even worse cataclysm that could have rivalled or surpassed the Great Depression' (Bernanke, 2010a). The same goes for the ECB: as González-Páramo noted in 2012, 'Today few would argue that without the measures taken by the ECB during these five years, we would be talking about a 1930s-style economic depression' (González-Páramo, 2012).

It is argued that independence is essential if central banks are to continue functioning in this capacity as 'stability guardians and crisis managers' (Asmussen, 2012). In 2015, for example, Powell and others were voicing concerns about proposals, from both the left and the right, to limit the Fed's independence and thus 'place new limits on the Fed's ability to respond to future crises' (Powell, 2015). For Powell, maintaining maximum flexibility is crucial, as 'One of the lessons of the crisis is that the financial system evolves so quickly that it is difficult to predict where threats will emerge and what

[7] Central bankers also like to highlight the legal constraints that force them to find ways to meet their core objectives. In this line of argument, the extraordinary actions over the past decade are framed as being effectively forced upon central banks (e.g., Draghi, 2019b; Dudley, 2013; Mersch, 2019).

actions may be needed in the future to respond' (Powell, 2015). Likewise, for vice chair Stanley Fischer, while Fed officials rose to meet the 'unprecedented challenges' presented by the GFC, 'Without the independence to pursue their mandates, this work would have been impossible' (S. Fischer, 2015a). CBI gives central bankers the necessary 'room to maneuver' and 'the ability to be agile' (Held, 2017).

Indeed, going further, it is stressed that independence for central banks is a key component of the democratic order itself (e.g., Trichet, 2010a). Crucially, the independent central bank is able to overcome the inability of democracies to respond effectively to crises. As Draghi argued, throughout the EC 'coordinated policy responses among governments were difficult to achieve, tended to arise only under severe market pressure, and then often turned out to be insufficient'; in this context, 'A central bank that was both independent and built to serve the whole of the euro, and not individual member states, was able to create the required policy space' (Draghi, 2018). And for Cœuré (2013b), the ECB, with its 'continued commitment to price stability and the integrity of the euro', was one of the few agents of stability and reason over the course of the EC. The democratic order, it appears, can only be sustained by the maintenance of an exceptional and heroic power that soars above the messy and inefficient world of politics.

4: Authoritarian Neoliberalism and Stakeholder Capitalism

In this section, I argue that beyond the protection of CBI, two broad ideological responses to the post-GFC repoliticization of the economy have been deployed by central bankers, both of which are echoed in the wider discourse of the policy establishment, (neo)liberal intelligentsia, and the ideological apparatuses of capital. First, there is the discourse of *authoritarian neoliberalism.* This discourse was most prominently developed and deployed by ECB staff in the years directly after the financial crisis and through the Eurozone turmoil. In chapter 3, I traced out a number of institutional mechanisms and forms of governance that characterize authoritarian neoliberalism; I also noted that authoritarian neoliberalism is marked by a shift in the affective register and ethical orientation by which neoliberal policy and neoliberal social structures are justified. As various authors have argued, while the 1990s and 2000s were characterized by consensual appeals to the freedom- and liberty-enhancing capacity of free markets, the GFC catalysed the emergence of a more punitive discourse, in which the potential vengeance of the market and the irresponsibility of spendthrift citizenries have been proffered as justifications for fiscal austerity and welfare-state retrenchment (Bruff, 2014; Davies, 2016; Foster & el-Ojeili, 2021; Stanley, 2014). Seeking to get to grips with the culture of austerity that took hold in the UK and Europe following the GFC, for example, William Davies discerned the emergence of 'an ethos of punishment', arguing that 'neoliberalism has become incredible . . . partly because it is a system that no longer seeks credibility in the way that hegemonies used to do, through a degree of cultural or normative consensus' (Davies, 2016, pp. 124, 134).

But while this punitive and moralizing dimension of authoritarian neoliberalism is salient, in the words of the central bank officials surveyed for this chapter we also find earnest attempts to match the economic policy prescriptions associated with authoritarian neoliberalism—in particular, fiscal austerity, enhanced fiscal discipline and surveillance, (neoliberal) structural adjustment, and rules-based governance—with a *positive* vision of the political economy that these policies will deliver. The utopian horizon of authoritarian neoliberalism is nothing less than lasting economic stability and stable economic growth—a route out of the post-GFC malaise. As Trichet put it at Jackson Hole in 2011, 'The key lesson of history is that sustainable, longer-term growth can only be assured once fundamental economic imbalances are treated' (Trichet, 2011). The claim is that if the necessary remedies of fiscal austerity, the enhancement of rules-based policymaking, and the flexibilization of labour and product markets are administered to ailing economies, then economic and social prosperity can once again be achieved. The subtext—which is sometimes made explicit—is that this can only be ensured if misguided democratic contestation of the economy and its management is foreclosed and the technocratic order is strengthened.

This discourse of authoritarian neoliberalism was undoubtedly dominant in central banking (and the wider policy establishment) in the years following the financial crisis. However, reflecting a broader ideological shift in Western capitalism over the past four or five years, it has increasingly given way to that of *stakeholder capitalism*. I use the term stakeholder capitalism here to refer to the wider ideological shift in the Western policy establishment, and in business and high finance, that centres around the push for more 'socially responsible' corporations and the promise of 'green finance'. 2019 was a pivotal year in this respect. Joseph Stiglitz, former chair of the Council of Economic Advisors to Bill Clinton and former World Bank chief economist, implored readers of the *New York Times* to help build a 'progressive capitalism', 'based on a new social contract between voters and elected officials, between workers and corporations, between rich and poor, and between those with jobs and those who are un- or underemployed'.[8] The *Financial Times* launched its 'New Agenda', informing its readers that 'Business must make a profit but should serve a purpose too'.[9] The American Business Roundtable, the *crème de la crème* of Fortune-500 CEOs, issued a new 'Statement on the Purpose of a Corporation', in which it revised its long-standing emphasis on promoting shareholder value maximization. Rather than narrowly focusing on returning profit to their shareholders, corporations should 'focus on creating long-term value, better serving everyone – investors, employees, communities, suppliers and customers'.[10] Similarly, the World Economic Forum—'a true International of capital', as Kees van der Pijl (1998, p. 133) notes—launched its 50th-anniversary 'Davos Manifesto' on the purpose of a company, promoting the development of 'shared value creation', the incorporation of environment, social, and governance (ESG) criteria into company reporting and investor decision-making, and responsible 'corporate global citizenship . . . to improve the state of the

8 Joseph Stiglitz, 'Progressive capitalism is not an oxymoron', *New York Times*, 19 April 2019, https://www.nytimes.com/2019/04/19/opinion/sunday/progressive-capitalism.html

9 Financial Times, 'FT sets the agenda with a new brand platform,' *Financial Times*, 16 September 2019, https://aboutus.ft.com/press_release/ft-sets-the-agenda-with-new-brand-platform

10 Business Roundtable, 'Business Roundtable redefines the purpose of a corporation to promote "an economy that serves all Americans"', 19 August 2019, https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans

world'.[11] And no lesser figure than Jaime Dimon, the billionaire CEO of JPMorgan Chase, America's largest bank, noted in his 2019 letter to shareholders that

> building shareholder value can only be done in conjunction with taking care of employees, customers and communities. This is *completely* different from the commentary often expressed about the sweeping ills of naked capitalism and institutions only caring about shareholder value.[12]

The term 'stakeholder management' was originally coined by the business-management theorist Edward Freeman (1984) in the 1980s, but the roots of this discourse go back to the dénouement of the first Gilded Age of inequality, where some business leaders began to promote the idea of the socially responsible corporation as a means of outflanking working-class discontent during the Great Depression (Leary, 2018, pp. 162-163). The concept of 'stakeholder capitalism' then became popular in the 1990s, associated above all with the 'Third Way' of New Labour in the UK (N. Fairclough, 2000).[13] Today, the discourse of stakeholder capitalism has been resurrected—and updated—in response to the spectre of democratic discontent that has come to haunt capital and the governing classes. Stakeholder capitalism, I suggest, has been deployed in response to the failure of authoritarian neoliberalism to provide a way out of the crisis, the increasing unpopularity of austerity policy in the latter part of the 2010s, accumulating political shocks, and the acceleration of the climate crisis.

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[11] World Economic Forum, 'Davos Manifesto 2020: The universal purpose of a company in the Fourth Industrial Revolution', 2 December 2019, https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/

[12] Jaime Dimon, 'Annual Report 2018: Chairman and CEO letter to shareholders', 4 April 2019, https://reports.jpmorganchase.com/investor-relations/2018/ar-ceo-letters.htm?a=1

[13] Freeman published extensively on the concept of 'stakeholder capitalism' through the 1990s. For him, stakeholder capitalism is a set of business ethics that should guide the conduct of corporations (see: Freeman & Liedtka, 1997). By contrast, I use the term to capture a broader ideological constellation that incorporates the push for more socially responsible corporations, but also extends to the wider neoliberal-influenced discourse emanating out of places like Silicon Valley, which emphasizes entrepreneurialism, flexibility, self-actualization, wokeness, and wellness culture, among other things. In this way, stakeholder capitalism also has roots in the consensual neoliberalism of the 1990s and what Barbrook and Cameron (1996) called the 'Californian Ideology'.

To be sure, the essential maxim of today's stakeholder capitalism—creating 'shared value for all stakeholders' (Carney, 2021, p. 402)—is largely meaningless. However, at its root is an argument for the re-moralization of the economy in the interest of social cohesion and capitalism's long-term sustainability. For example, Carney (2021, p. 3), in his recent contribution to this discourse, locates the roots of the post-GFC malaise in the move 'from a market economy to a market society' over the neoliberal era. While the Thatcher–Reagan revolution 'was long overdue following the steady encroachment of the state into market mechanisms', trust in the market became fundamentalist through the 1990s and 2000s, and the commodification of everything, while making 'our lives better in many cases . . . has often weakened personal ties and undermined social and civic values' (Carney, 2021, pp. 134, 137). What is needed is moral renewal to revitalize both the social contract and capitalist dynamism. A quarter-century earlier, the British journalist Will Hutton had already set forth such a diagnosis in *The State We're In*, his reflection on the decline of British society and the crisis of British capitalism following the Thatcherite onslaught. For Hutton (1995, p. 24), while both the profit motive and 'go-getting individualism' are foundational to capitalism, it is also a socio-economic system that 'takes place within inherited social and political boundaries', and unless the moral domain that underpins the social world 'is recognised economic performance is likely to be unsatisfactory'. Thus, for Hutton, the only way to ensure long-term socio-economic stability and prosperity is to tether the dynamism of capitalism to the commonweal. This is the essential normative underpinning of stakeholder capitalism, at least as it is articulated in central banking and the policymaking establishment in the data surveyed here.

The renewal of the rhetoric of stakeholder capitalism, and in particular its articulation in central banking and the policy establishment, has also accompanied the beginnings of a more fundamental shift in thinking on macroeconomic policy. While exponents of stakeholder capitalism in central banking are largely approving of the essential market structures of neoliberal financial capitalism, they also see a role for a more fiscally active state and especially for targeted public investment in infrastructure, health, education, and R&D, and for an expanded welfare state, including the development of active labour-market policies; they also push to address the climate crisis and encourage consensual democratic renewal. Put otherwise, the ideological shift away from authoritarian neoliberalism to what Larry Fink, billionaire CEO of BlackRock, the world's largest asset manager, calls 'accountable and transparent capitalism', and the evolution of macroeconomic ideas in the policy establishment, are two sides of the same coin.[14]

In contrast to authoritarian neoliberalism, then, stakeholder capitalism seeks to deal with the repoliticization of the economy and its management by establishing a more 'inclusive' capitalism—a process which means making some relatively significant shifts in macroeconomic policy—and thus outflanking the threat posed by democratic contestation. This may sound appealing to progressively minded readers. Crucially, though, while stakeholder capitalism seeks to mimic aspects of the post-war era of social democracy via various policy fixes, the drive to develop this more 'inclusive' capitalism is made in the absence of, and often disdain for, the key conditions that enabled Western social democracy to (briefly) thrive in the first place—namely, a more autarkic global political economy, mass political-party membership, high trade-union density, the ideological threat posed by Soviet communism, a more coherent and engaged public sphere, and stronger civil-society institutions.[15] Stakeholder capitalism is very much an elite-driven, neoliberal project. In Table 4.2 I present the contrasting relations to democracy between the three discourses discussed in this chapter.

In the remainder of this section, I highlight and critically discuss the key dimensions of these two contrasting, but nevertheless overlapping and intertwining, discourses, and their articulation at the ECB and the Fed—often by the same individuals—focusing on the key policy positions that are advocated for.

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[14] Larry Fink, 'Larry Fink's 2020 letter to CEOs: A fundamental reshaping of finance', https://www.blackrock.com/corporate/investor-relations/2020-larry-fink-ceo-letter

[15] Moreover, exponents of stakeholder capitalism retain a strong aesthetic-ideological attachment to neoliberal ideals of self-actualization, entrepreneurialism, market-enabled liberty, and so on.

Table 4.2. Key discourses and their relationship to democracy.

	Climate of fear	**Authoritarian neoliberalism**	**Stakeholder capitalism**
Relationship to democracy	*Hysterical* – too much democracy generative of threatening political figures; inability to cognitively map repoliticized terrain	*Hostile* – democracy directly threatens economic development and must be limited via technocratic economic governance	*Ambivalent* – some legitimacy to democratic dissatisfaction with status quo; partial democratic restoration via policy fixes and consensus-building
Core elements	• Breakdown of open-market order via rise of protectionism, nationalism, and populism • Declining public trust in elites and institutions • Sustained economic dysfunction • Demise of CBI	• Fiscal consolidation • Structural adjustment (labour- and product-market flexibilization) • Normalization of monetary policy • Strengthening of economic surveillance and rules-based governance	• Policy fixes for a more inclusive capitalism and the development of human capital • Active fiscal policy • Finance-led transition to net zero • Cultural reform, public economic education, and democratic renewal

Sources: ECB and Fed central banker speeches, 2009–2020.

4.1: Authoritarian neoliberalism

Speaking on the topic of 'Policies to Bring us out of the Financial Crisis and Recession' in early 2009, Kohn hoped that policymakers would eventually be able to return to the orderly world of rules-based policy. While 'near-term stability' required fiscal and monetary support, he noted:

> we must put in place frameworks for exiting these programs if we are to end up with a market-based economy that is more balanced and more resilient. Over time, the Federal Reserve must reduce its lending; the government must put its deficits on a distinct downward track; financial institutions must retire government assistance and operate on their own (Kohn, 2009).

While the history of the past decade has been one of failure across these fronts, the years immediately following the GFC were nevertheless marked by a vigorous offensive in this direction.

The central policy focus of the discourse of authoritarian neoliberalism over this period has been the necessity of fiscal austerity coupled with tough-minded structural adjustment. As Trichet summarised it at Jackson Hole in 2011, 'In the wider case of sustainable growth for the euro area, what matters is a commitment to structural reforms and sound macroeconomic policies' (Trichet, 2011). With government debt skyrocketing over the course of the financial crisis, it was stressed that a potentially painful fiscal consolidation was in order. Critical here was the potential vengeance that the market might exact upon feckless sovereigns. But it was also argued that fiscal consolidation would set the scene for long-run growth and might even spur economic expansion in the near-term. As Trichet (2010b) argued in 2010, invoking the myth of expansionary fiscal contractions, 'credible fiscal deficit reductions through expenditure cuts lead the private sector to expect a lower future tax burden, especially when the nature of the cuts make future tax reductions more likely. This can generate consumption expenditures and more investment'.

In a frank admission to European policymakers at an ECB conference in Sintra in 2015, Draghi (2015) noted that 'In every press conference since I became ECB President, I have ended the introductory statement with a call to accelerate structural reforms in Europe. The same message was conveyed repeatedly by my predecessors'. While Draghi was not shy of calling for more fiscal support through the Eurozone Crisis, and led the ECB down the road to QE, as he noted at Jackson Hole in 2014, speaking on the topic of unemployment in the Eurozone, 'No amount of fiscal or monetary accommodation . . . can compensate for the necessary structural reforms in the euro area' (Draghi, 2014b). Again, in contrast to the punitive and moralizing aspect of authoritarian neoliberalism that is often emphasized in the critical social-science literature, it is important to note that a positive vision also undergirds this discourse. Specifically, more flexible labour and product markets will, it is argued, enable faster recoveries from economic shocks, making the Eurozone more resilient (e.g., Mersch, 2018b; Praet, 2017). By contrast to the ECB officials cited above, Fed officials, while speaking relatively frequently on the need for sound macroeconomic policy frameworks and fiscal restraint, have largely steered clear of the topic of structural reform.

For fiscal austerity and structural adjustment processes to be consistently implemented, both political will and enforceable rules are needed. The key roadblock here is the short-sightedness of democratic politics. Unfortunately, for Trichet:

> political behaviour in democracies is strongly dependent on election cycles. In the field of fiscal policy, in particular, this might encourage short-term action focused on election dates, resulting in a tendency to engage in deficit spending and growing government debt (Trichet, 2010a).

Meanwhile, structural adjustment can mean 'periods of transition during which a significant dislocation of resources may take place and some segments of the population may incur a relative impoverishment' (Bini Smaghi, 2010), making them politically painful and often unpopular processes. This short-termism, which is 'built into the political process itself' (Trichet, 2010a), also hampers the capacity of democracies to react effectively in crisis. As Lorenzo Bini Smaghi of the ECB noted to a group of think tankers in July 2011, 'Recent experience has shown that tough decisions are often taken only on the brink of the abyss', when market discipline looms large (Bini Smaghi, 2011).[16]

But it need not be so. As Bini Smaghi told his audience at the Aspen Transatlantic Dialogue in 2010, speaking on the issue of 'Western Democracies Under Pressure', 'political leaders who have the courage and ability to reconcile balanced public finances with economic growth are rewarded over time' (Bini Smaghi, 2010). Political education is important in this respect. While noting the ECB's deep concern with the extremely high unemployment levels in Spain and Greece, Asmussen informed his

[16] Or, as he put it in an earlier speech: 'Only under pressure from markets do governments seem to find the strength and the consensus to adopt the necessary measures to ensure financial stability' (Bini Smaghi, 2010).

audience at the *Economist*'s 2013 Bellwether Europe Summit that 'the political challenge' to structural adjustment

> comes not from the process of adjustment itself. People can accept a period of hardship if necessary. It comes from the belief that there are better alternatives available that are being denied. This is what causes people to reject adjustment, or to blame others at home or abroad for their predicament. . . . overcoming the political challenges to adjustment is fundamentally about communication. It is about pointing out the real costs of alleged alternatives; about resisting the temptation to blame others for problems that begin at home; and about explaining the long-term benefits of the path being taken (Asmussen, 2013).

In other words, it needs to be clearly and convincingly communicated that 'there is no alternative'. In like fashion, for Bernanke (2010b), 'Educating the public about the consequences of unsustainable fiscal policies may be one way to help build' the necessary 'political will' for fiscal constraint.

But the tone of these thinkers is not always so accommodating. Speaking on the topic of deepening the Economic and Monetary Union (EMU) several years after the EC had abated, Mersch (2018b) gave thanks for the 'market pressures and the sanity of established institutions' that have prevented unrealistic demands from citizens in countries such as Italy and Greece to put a halt to the necessary remedies of austerity and structural adjustment. For Mersch (2018b), 'Too much financial, political and social capital has been invested, and the cost of a break-up would be prohibitively high, with devastating economic, social and political consequences': there will be no turning back.

Another useful mechanism for overcoming the short-sightedness of democracy is the development of self-imposed 'fiscal rules that work towards the sustainability of public finances' (Trichet, 2010a). As Bernanke argued:

> When faced with spending decisions, most elected representatives want to be seen as garnering the greatest possible benefit for their constituents. But if a prior agreement limits the size of the available pie, it may be easier to negotiate outcomes in which everyone accepts a little bit less (Bernanke, 2010b).

Taking lead from the lessons of CBI, and to paraphrase Alan Blinder (see chapter 1), the wise government ties itself to the mast of fiscal rules so that it does not succumb to the siren song of democratic demands and thus dash the national economy upon the rocks of fiscal ruin. After all, as Cœuré (2013a) noted to Ligue des droits de l'Homme, a French human rights NGO, 'Our social model(s) are only as sustainable as our public finances'. This is true not just for the fiscal authority, but for economic policy in general. Invoking Machiavelli's approval of rule-setting institutions, Trichet (2010c) informed a Bocconi University audience that just as 'freedom is not possible without rules', so too is 'economic freedom not possible without an adequate set of rules', both nationally and internationally. For Dudley, despite the issues associated with globalization, for economic prosperity to be achieved 'Countries need to compete better, not compete less'; and this requires that policymakers 'continue to strengthen the global rules-based system' (Dudley, 2017a; see also: Dudley, 2018).

For European central bankers, the critical battleground here has been the institutional structure of the Eurozone itself. The dominant framing of the EC, at least in its early years, was one of spendthrift 'southern' governments reaping what they sowed, and of the failure of EU institutions to enforce discipline. Speaking in Madrid in 2011, González-Páramo, having earlier admitted to the deadly entanglements between bank balance-sheets and sovereign credit-ratings, and the lacklustre regulation of the former, nevertheless laid the blame for the Eurozone Crisis at the foot of reckless 'southern' governments. '[L]et me be clear', he noted:

> Although the economic crisis significantly increased the burden on government budgets, the true "failures" leading up to the current sovereign debt crisis lie with the unsustainable fiscal and structural policies pursued by many of these governments before the crisis and with the governance system of the euro area (González-Páramo, 2011).

Indeed, according to Cœuré (2013b), 'Warnings on the long-run sustainability of public finances were legion long before the crisis erupted'. But too much faith was put in the capacity of markets to enforce discipline, meaning that when the EC erupted the currency union lacked sufficient crisis-resolution tools and governments were 'forced to hastily approve reforms in dramatic meetings, which has made it difficult to explain the reform to the people and to achieve a consensus' (González-Páramo, 2012). The structural tension here is that there are 'fundamental differences in the expectations and perceptions of citizens and markets': the former want fairness and equity, and assurances that they will not have to suffer because of the mistakes of others; the latter expects 'messages of confidence, immediacy, and an unlimited capacity of governments to act' (González-Páramo, 2012). Deeper political and institutional integration is therefore paramount to solving the Eurozone's weaknesses, a process which includes 'a profound improvement of democracy at the European level'. But 'this will only happen the day after tomorrow. For the immediate challenges are to put our houses in order, regain competitiveness and clean up our balance sheets' (González-Páramo, 2012). In other words, attend to the interest of the markets now and to the needs of citizens later; democracy can wait, the markets cannot.

Thus, while welcoming the so-called 'Six-pack' amendments to the Stability and Growth Pact, which were designed to enhance compliance with EU fiscal rules, González-Páramo argued that the European Council is still left 'with too much room to apply discretion when deciding on the execution and enforcement of the surveillance procedure' (González-Páramo, 2011). As he informed his audience of bankers:

> [a] more fundamental deepening of fiscal and economic policy surveillance is necessary in the long run. This would involve a transfer of sovereignty to the European level of decision making, which should have much stronger powers, and would also mean stricter constraints on national budget policies (González-Páramo, 2011).

This would limit '"wiggle room" for future governments', as his colleague Asmussen (2013) put it. For Draghi (2014a), 'the institutional arrangements that ensure those requirements are met must ultimately be binding in nature, and permanent in form'. And for Bini Smaghi, a culture of mutual monitoring and discipline should be cultivated: 'governments and citizens throughout the monetary union should not only be concerned about what happens in their respective countries, but also in other countries, because the latter can have a direct impact on their lives' (Bini Smaghi, 2011). Indeed, 'governments should be accountable not only for their own policies, but also for checking the policies of other members' (Bini Smaghi, 2011). Thus, for Cœuré (2015), the Fiscal Compact will be 'indispensable for future progression'.

In response to the 'overburdening' of central banks following the GFC, it has frequently been argued that monetary policy 'normalization' must be pursued (e.g., Powell, 2017). As Cœuré (2016b) warned think-tankers in Rome in 2016, 'low forever' interest rates 'would severely limit the room for manoeuvre for conventional monetary policy tools, but even more worryingly . . . would threaten the contract between generations as well as risk tearing up our social fabric'. The more hawkish central bankers have argued that continued monetary stimulus was simply allowing governments to prevaricate on the necessary structural adjustments and that central bankers needed to reimpose financial discipline. Mersch (2019), for example, almost relishes in this role of the central banker as the unpopular disciplinarian, alluding to the higher calling that they answer to (and the figure of the central banker as hero): 'central bankers are no strangers to unpopularity. Indeed, if acting in the best interests of long-term prosperity were always popular, monetary policy could safely be left in the hands of politicians'. Or as Kevin Warsh of the Fed Board of Governors put it to an audience of economists in New York, 'The only popularity central bankers should seek, if at all, is in the history books' (Warsh, 2010). Indeed, as the decade wore on, central bankers have increasingly called for more support from targeted fiscal and structural policy to help them meet their price stability and employment objectives, and to allow them to normalize monetary policy so as to build up 'room for manoeuvre' in the event of another serious economic downturn (see chapter 5).

But while the past half-a-decade has seen a broader intellectual shift in favour of more active fiscal policy (see subsection 4.2), the ultimate goal remains fiscal discipline over the long term. As Schnabel (2020c) noted in September 2020, seeking to assure European policymakers that ECB intervention in the bond markets had not neutered market discipline, bond markets are still 'responsive to idiosyncratic news' and therefore remain 'vigilant'. But while this is welcome, 'financial markets are neither always rational, nor efficient. They can be prone to panic and instability'. The upshot is that while fiscal support has been necessary through the Covid-19 crisis, 'Fiscal consolidation needs to follow once the recovery has matured'. 'History is full of examples of high government debt eventually being resolved through higher inflation and financial repression'—a central banker's worst nightmare—and thus, 'History suggests that society is better off under a regime of monetary dominance' (Schnabel, 2020c).

In sum, the discourse of authoritarian neoliberalism that developed in central banking—most strongly at the ECB—in the years following the GFC pivots around four core policy areas. First, the absolute centrality of fiscal consolidation and ongoing fiscal restraint, which will return the world economy to a sustainable path. Second, tough-minded and potentially unpopular structural adjustment, above all the flexibilization of labour and product markets. Third, the normalization of monetary policy, to bring interest rates up, encouraging fiscal and market discipline and building a policy buffer in the event of another economic downturn. Fourth, these policies must be enabled by cultivating political will and educating publics on their necessity, but more fundamentally, by strengthening rules-based technocratic economic governance. This means strengthening mechanisms of economic surveillance in the Eurozone, for example, and instituting enforceable punishments that can be used to discipline rule-breakers. In these ways, the discourse of authoritarian neoliberalism addresses the threat of repoliticization by seeking to further foreclose avenues for democratic contestation, doubling down on the neoliberal project and forms of technocratic economic governance. The ideological bone thrown to the public is the promise that a return to a more ordered and rules-based system will set the scene for long-term economic growth and stability; thus far, no such luck.

4.2: Stakeholder capitalism

Whereas the discourse of authoritarian neoliberalism invokes the necessity of economic rules, mutual surveillance and discipline, and potentially painful structural adjustment and fiscal retrenchment in order to reattain economic stability and prosperity, the discourse of stakeholder capitalism begins with the need for well-targeted policy fixes to smooth the uneven effects of globalization and financial liberalization. Speaking on the topic of global economic integration several months after the Brexit referendum had concluded, Cœuré (2016a) informed policymakers in Paris that they needed to 'redefine the concept of globalisation', to envisage and communicate an open-market order that 'can deliver openness without compromising safety'—a 'globalisation 2.0'. Speaking at the De Gasperi awards ceremony, named after the founder of Italian Christian Democracy, Draghi stressed the need to,

> devote more attention to the redistributive aspects of [European] integration, and especially to those people who have paid the highest price. I do not think there will be significant progress in terms of opening up markets and competition if Europe does not listen to the demands of those left behind by a society built on the pursuit of wealth and power (Draghi, 2016b).

This means policy reform in areas such as tax-base erosion, race-to-the-bottom deregulation, and environmentally unsustainable industries and practices. It also means reimagining the welfare state. While for Cœuré (2014) employment protection legislation in the Eurozone 'is thought to significantly reduce the ability of innovative firms to attract resources', instead of removing workers' job security, policymakers should 'shift the burden of that insurance away from firms and towards society more widely' and develop 'flexicurity' policies such as active labour-market programs and unemployment insurance. Draghi was of a similar mind, emphasizing to policymakers in Brussels the importance of fostering human capital through active labour-market programs and better education: ‘Ultimately, investing in human capital is the key ingredient in making growth both stronger and more inclusive’ (Draghi, 2016a). Similarly, their American peer Dudley noted that global integration has left portions of the US citizenry behind, and policymakers ‘need to provide greater support to displaced workers so they can obtain the skills needed to find well-paying jobs’ and can ‘deal with the challenges of globalization and technological change’ (Dudley, 2017a). As he noted elsewhere, ‘Policies should include more assistance with job retraining, help job search and mobility, and broader unemployment support’ (Dudley, 2018).

Central bankers have also given increasing attention to the issue of rising inequality, the effects of monetary policy on inequality (and vice versa), and the kinds of policy fixes needed to address its continued rise (Fontan, Dietsch, Claveau, & Dion, 2021). While the negative effects of extreme income and wealth inequality on social cohesion are sometimes noted, of more concern is its effects on macroeconomic resilience. As Sarah Bloom Raskin (2013) of the Fed Board of Governors put it to economists in New York, ‘suffering in the Great Recession – though widespread – was most painful and most perilous for low- and middle-income households’, and ‘because of how hard these lower- and middle-income households were hit, the recession was worse and the recovery has been weaker’ (see also, Bernanke, 2013). More structurally, as Raskin’s colleague Lael Brainard (2017) argued, high levels of inequality ‘reduc[e] the long-run productive potential of the economy’, as poorer groups ‘underinvest in education or business endeavours’ and consumer spending is weakened. Given these facts, long-term trends in inequality may be of relevance to monetary policy focused on price stability and maximum sustainable employment.[17]

[17] This growing concern with the effects of monetary policy on inequality and vice versa should be read as a direct response to the critiques of QE as a driver of wealth inequality in advanced economies that central bankers have been inundated with since the mid-2010s.

Nevertheless, central bankers are also at pains to emphasize that responsibility for tackling inequality rests mostly with other state institutions and that preserving price stability is itself an important part of building an equitable society and must take precedence over distributional concerns (e.g., Mersch, 2014; Schnabel, 2021). Thus, for successive Fed chairs Yellen (2014) and Powell (2019), what is needed to combat inequality is more public investment in early childhood education and higher education, as well as smarter workforce-training programs. There is also a need for community-development banks that will extend affordable credit to people with low credit ratings (Powell, 2019). More ambitiously, Daniel Tarullo (2014) of the Fed Board of Governors was arguing in 2014 for a 'government investment agenda' in education, jobs training, and R&D, investment that would, above all, promote the development of human capital (see also, S. Fischer, 2015b).

As the discussion so far indicates, the discourse of stakeholder capitalism emphasizes 'targeted policies that achieve fairer outcomes' (Cœuré, 2018b), but leave the neoliberal market structure fundamentally intact. But the rise of stakeholder capitalism has also been accompanied by a deeper shift in thinking about macroeconomics and macroeconomic policy. The combination of financial crises, trenchant economic stagnation, rising social and political discontent, and the shock of Covid-19 has driven significant contestation of, and evolution in, policy ideas in central banking.

As noted in the previous subsection, in contrast to the calls for fiscal restraint and retrenchment that dominated in the early 2010s, from around the middle of the decade officials at both the ECB and the Fed have increasingly emphasized the need for more active fiscal policy. This was, they argued, essential if monetary policy was to be normalized and sustainable economic growth restored (e.g., Draghi, 2019a; Schnabel, 2020c). Indeed, more active fiscal policy today will help to 'foster central bank independence', as it will 'boost potential growth and thereby increase monetary policy space in the future' (Schnabel, 2020c). This thinking reflects a broader shift. In the years prior to the pandemic the Western policy establishment was already moving in the direction of support for more active fiscal policy (e.g., BIS, 2018, pp. xiii-ix; 2019, pp. xiii-iv; IMF, 2019, pp. 21-23; OECD, 2018, pp. 34-46; 2019, pp. 36-51).[18] By the end of the decade, just prior to the coronavirus outbreak, erstwhile sages of 1990s orthodoxy Olivier Blanchard and Lawrence Summers were even wondering whether a 'revolution' in macroeconomic policy was needed, akin to that of the 1970s and 1980s (Blanchard & Summers, 2019). The pandemic accelerated this shift, with this view confirmed and even radicalized in 2020 (e.g., Lagarde, 2020b; Lane, 2020). As Schnabel noted in 2020, the 'pandemic has taught us that monetary and fiscal policies are most effective when they complement each other' (Schnabel, 2020b). This is quite a transformation, not just from the orthodoxy of the 1990s and 2000s, but also from the 'debt fetishism' of the early 2010s.

In the last three years, central bankers have also begun to pay more attention to the climate crisis and its implications for policymakers. In the wider corpus of speeches that I surveyed using NVivo, climate change and the climate crisis are barely mentioned before 2018. But by 2020, Schnabel was telling policymakers that if they are to prevent 'climate change from inflicting permanent harm on the global economy', then what is required is 'a fundamental structural change to our economy' (Schnabel, 2020b). In this area, the ECB has been notably more active than the Fed. It was not until the end of 2020 that America's central bank had begun to start integrating 'climate risk' into its financial-stability assessments and had joined the Network for Greening the Financial System.[19] By contrast, the ECB has taken bolder steps forward, explicitly factoring climate-change considerations into its monetary-policy strategy. ECB officials, particularly Lagarde and Schnabel, have also been vocal in encouraging private finance to invest in the green transition and in calling for institutional and structural reform to facilitate this transition, as has the Bank of England's Mark Carney.

[18] This has been accompanied by a gradual shift in thinking in other policy areas such as industrial policy and capital controls. On the latter, for example, the IMF, once a leading institution of the Washington Consensus, has in recent years admitted that capital controls—now given the less threatening name of 'capital flow management measures'—may be appropriate to implement to avoid episodes of intense financial instability, particularly in emerging-market economies (see IMF, 2020).

[19] The Network for Greening the Financial System is a network of central banks and financial regulators (83 at the time of writing) promoting the development of research on the implications of climate change for financial stability and encouraging a green transition in the financial sector. See: https://www.ngfs.net/en

At the forefront of central bankers' minds here is the issue of disruptive climate events on investor sentiment, which could 'hold back investment and economic activity' (Brainard, 2019). Nature is a 'risk factor' that needs to be internalized by finance capital. As Brainard (2021) noted at the Institute of International Finance, a lobbying organization for a consortium of financial services firms, the development of better 'data, disclosures, and modelling techniques' is 'crucial to reducing uncertainty around the potential magnitude of risks related to climate change'. Thus, there is a push for the development of taxonomies to distinguish between, among other things, sustainable ('green') investments and unsustainable ('dirty') ones. The authors of a joint report from the BIS and the Bank of France go as far as to call for an 'epistemological break with regard to financial regulation' (BIS & Banque de France, 2020, p. 65): in an age where 'green swan' events—unforeseen climate catastrophes that catalyse financial crises—become more likely, central banks must develop methodologies for identifying and quantifying climate-related risks and regulatory- and financial-policy tools that force the private sector to internalize these risks. Not only this, given that 'the stability of the Earth system is a prerequisite for financial and price stability', central banks must also be 'more proactive in calling for broader change', explicitly promoting long-termism in private finance, advocating for more active fiscal policy to support a green transition, and enhancing international convergence, among other things (BIS & Banque de France, 2020, p. 66).

More broadly, there is an important role for the derisking state, which must create the right incentives to push private-market actors in a sustainable direction via good regulation, selective prohibitions, smart taxation, and 'well-targeted' subsidies, and which must instil confidence in the markets by providing certainty over the future direction of travel, facilitating public–private partnerships, and backstopping corporate-debt markets, the state here playing the role of a giant insurance firm, providing a safe platform from which the dynamism of capitalism can work its magic (Dafermos, Gabor, & Michell, 2021). In Lagarde's (2020b) words, 'Policymakers should . . . create the necessary conditions for the financial sector to do what it does best: allocate capital where it is most needed'. For the EU, this means 'remov[ing] all obstacles to the development of a cross-border market for sustainable financial products. In other words, we need to finally complete the banking union and create a genuine capital markets union' (Lagarde, 2020b). More ambitiously, it also means encouraging investment in green infrastructure and technologies, not only to address global heating, but to 'lift potential growth today and shift the economy onto a higher and more sustainable growth path' (Schnabel, 2020b). As Schnabel argued in mid-2020, business dynamism and economic growth have been lacklustre in Europe over the past decade; however,

> COVID-19 is a unique opportunity to break this vicious circle. The crisis will require a massive reallocation of capital and labour across sectors and economies. It has the potential to unleash unprecedented forces of Schumpeterian creative destruction that can help accelerate the adoption and diffusion of green and sustainable technologies across large parts of the economy. Policymakers need to allow, facilitate and support this process (Schnabel, 2020b).

Thus, there is a need for 'ambitious investment programmes', led by the state and EU authorities (Lagarde, 2020b), which will serve 'a catalytic function' (Schnabel, 2020b) in sparking the transition.

This push for a green transition is indicative of the growing awareness in central banking and high finance that future profit streams and thus financial stability are highly exposed to the breakdown of the biosphere. But one of the key messages that central bankers have been communicating to finance capital here is that not only can it adjust to the climate crisis, it can also thrive in the new world. Indeed, for Carney (2021, p. 339), the green-energy transition and the cultivation of nature-as-an-asset-class will usher in 'the greatest commercial opportunity of our time'. Speaking at the launch of the COP26 'Private Finance Agenda', just as Covid-19 was breaking out across Europe, Lagarde was similarly boosterish in tone:

> The transition to a carbon-neutral economy provides opportunities, not just risks. By shifting the horizon away from the short term and contributing to a more sustainable economic trajectory, the financial sector can become a powerful force acting in our collective best interest (Lagarde, 2020a).

Exponents of stakeholder capitalism thus emphasize that it is profitable to be sustainable. Far from the climate crisis indicating the need to reverse financialization, it provides an opportunity for what Campbell Jones (2016, pp. 42-44) calls the 'world of finance' to further expand its orbit, turning nature into a set of asset classes that can be speculated upon and traded.

Over the long run, though, better economic policy and the greening of capitalism will only be possible if multilateral cooperation is strengthened and deepened. Again, the European central bankers have been particularly vocal. Speaking at Jackson Hole in 2017, for example, Draghi pointed to the importance of cooperative multilateral governance in developing and implementing the policies that would enable a more sustainable globalization: 'at a time when disaffection with openness is growing, multilateral institutions become more, not less important. They provide the best platform to address concerns about openness without sacrificing open markets' (Draghi, 2017). For the European central bankers, further EMU integration is itself the answer to the challenges posed by globalization. 'We are', Cœuré (2015) informed European politicians in Berlin, 'too closely interlinked and frankly too small individually to solve problems alone in the face of globalisation'. But European integration gives Europeans a voice on the world stage and Europe can leverage its market-power to shape globalization in ways favourable to Europeans (Lautenschläger, 2019). Thus, for Draghi (2016b), while globalization does clearly erode democratic control of markets, 'the critical mass of Europe speaking with one voice has produced results well beyond the reach of individual countries'. In a world where only the biggest nation states can be independent and sovereign at the same time, 'sharing sovereignty is a way to regain sovereignty'; after all, a 'shared sovereignty . . . is preferable to none at all' (Draghi, 2019a).[20] Here, globalization is presented as more-or-less straightforwardly threatening and undermining state sovereignty; European integration, framed in civilizational terms, is presented as a means by which Europeans can protect themselves from this harsh reality of global competition.[21]

[20] Thus, 'Unlike the wider process of globalisation, [the single market] allowed Europe to impose its values on economic integration – to build a market that, to the extent possible, was free and just' (Draghi, 2019a).

[21] Accelerating and deepening EMU is a notable feature of both authoritarian neoliberalism and stakeholder capitalism. The point of difference between them on this count lies primarily in the mechanisms through

Cultural reform is also a necessity. At the Fed, this has meant accepting that there is something wrong with the culture of the financial-services industry. Thus, in an initiative launched in 2009, Fed staff sought to responsibilize Wall Street (Bernanke, 2015, p. 453).[22] As Thomas Baxter (2015) of the New York Fed noted, 'The bad behaviour that contributed to the Financial Crisis was evidence of a culture that was not strongly ethical'. His boss, Dudley, was a particularly vigorous exponent of cultural reform. Acknowledging that the GFC was a public-relations disaster for Wall Street, in one speech to New York financiers he warned that 'improving culture in the financial services industry is an imperative. This endeavour is important in order to ensure financial stability over time, but also to ensure the public trust in our financial system' (Dudley, 2014). He brandished both carrot and stick to the assembled executives: on the one hand, 'A strong culture will reinforce the simple reward of having done the right thing. A clear conscience can be a powerful reward'; on the other hand,

> if those of you here today as stewards of these large financial institutions do not do your part in pushing forcefully for change across the industry, then bad behavior will undoubtedly persist. If that were to occur, the inevitable conclusion will be reached that your firms are too big and complex to manage effectively. In that case, financial stability concerns would dictate that your firms need to be dramatically downsized and simplified so they can be managed effectively' (Dudley, 2014).

Financiers should strive to be 'competent, honest, and reliable', should 'emphasize the long term over the short term', and, above all, should have sense of 'purpose' (Dudley, 2017b), even 'a sense of vocation in finance' (Carney, 2021, p. 205). Despite Dudley's best efforts, though, in 2019 his successor

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which EMU should be achieved and the tone in which it is argued for. In the discourse of authoritarian neoliberalism, political centralization in the EU's governing bodies, rules-based policymaking, and expert-led reform are emphasized; in the discourse of stakeholder capitalism, it is instead about 'sharing sovereignty', consensual democratic renewal, and public education.

[22] The Bank of England under Carney made a similar push for cultural reform in finance, so as to regain public trust in the banking system (see Carney, 2017).

John Williams was lamenting the lack of progress at the New York Fed's annual conference dedicated to the issue (see Williams, 2019).

But it is not just a matter of cultural reform among the elite; the wider public also needs to be made more economically literate. While admitting that publics have reason to be dissatisfied with the status quo, central bankers have been at pains to point out that the 'simple' solutions proposed by (populist) challengers from both left and right are unrealistic, if not downright dangerous and irresponsible. The global system is complex and precarious, and so it must be managed by those who know what they are doing. In this respect, what is needed is better education of the public as to how the economy works and why it needs to be run by the right people. In their attempts to rebuild public trust in the financial sector, for example, American central bankers have pushed back against the popular narratives of Wall Street as a casino for the rich, and sought to persuade the public that the financial sector plays an essential and positive role in American society. They have also sought to better communicate the Fed's own role in managing the financial sector. For example, reflecting on issues of transparency and accountability in the final month of his tenure as chair of the Fed, Bernanke affirmed that America's central bankers had to step up their communication and education game in response to the GFC and the new media environment:

> We took extraordinary measures to meet extraordinary economic challenges, and we had to explain those measures to earn the public's support and confidence. The crisis has passed, but I think the Fed's need to educate and explain will only grow. When Paul Volcker first sat in the Chairman's office in 1979, there were no financial news channels on cable TV, no Bloomberg screens, no blogs, no Twitter. Today, news, ideas, and rumors circulate almost instantaneously. The Fed must continue to find ways to navigate this changing environment while providing clear, objective, and reliable information to the public (Bernanke, 2014).

In this way, Bernanke proffers central bank transparency as the essential trade-off for the Fed's independence and its 'powerful tools'.

Fed officials also put considerable energy into trying to convince the public that the central bank, in Dudley's (2016) words, 'exists to serve Main Street, not Wall Street'. As part of its review of its monetary-policy strategy, the Fed launched a community-engagement programme in 2019 called 'The Fed Listens', which was intended to take the pulse of 'ordinary' Americans, to 'connect with our core constituency, the American people, and hear directly how their everyday lives are affected by our policies' (Powell, 2020c). As Powell (2020c) noted, 'A clear takeaway from these events was the importance of achieving and sustaining a strong job market, particularly for people from low- and moderate-income communities'. And indeed, through 2021 the Fed (and the ECB) was willing to tolerate higher levels of inflation in pursuit of a strong economic recovery and a tighter labour market than has previously been the case over the neoliberal era.[23] As Williams (2020) put it, the Fed has a role to play in 'building an equitable future', and Covid-19 has 'painfully demonstrate[d] the need for us to redouble our efforts in working with stakeholders from the community, business, nonprofits, and governments to build a stronger, more equitable foundation for our economy's future'.

The same project has been taken up at the ECB. On the big issues of globalization and European integration, some Executive Board members have gone as far as to call for democratic renewal and even for a process of 'positive "politicisation"' (Cœuré, 2016b). It is acknowledged that 'People in Europe generally feel disconnected from EU decision-making and question whether their voice is being heard' (Cœuré, 2013b) and that there is a perception that the 'EU always operates on the basis of rigid legal principles' and seems 'technocratic and somehow remote' (Lautenschläger,

[23] Both the Fed and the ECB have recently revised their monetary-policy strategies. The Fed revised its strategy in late 2020, citing structural changes in the US economy in the form of lower potential growth, sluggish productivity growth, and a falling equilibrium real interest rate, and developments in its understanding of the economy such as on the deleterious effects of long-term unemployment and the weakening relation between unemployment levels and inflation (a flatter Phillips Curve). The most significant change was the move to target an inflation rate of 2 percent *on average over time*, meaning that 'following periods when inflation has been running below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time' (Powell, 2020c). While a seemingly small change, this gives the Fed more flexibility to run the American economy 'hot' and thus to pursue 'full' employment. In mid-2021, the ECB announced that it too was revising its monetary-policy strategy, explicitly adopting an inflation target of 2 percent and, more significantly, factoring climate change into its decision-making.

2019). For Lautenschläger, this calls for a change in how elite policymakers, including central bankers, communicate:

> The ECB needs to address all citizens, not just an expert audience – without ever becoming political, of course – but only in order to bring facts and explanations to economic issues. 'Do good and talk about it' – in simple and accessible language – should be the motto here (Lautenschläger, 2019).[24]

In like fashion, for Schnabel (2020a), it means engaging in 'dialogue with civil society representatives' and improving 'the public's understanding of the ECB's mandate and tasks'.

But for the Europeans an even more comprehensive reframing is needed. For example, speaking on the 'consequences of protectionism' in early 2018, Cœuré informed an audience at the luxurious Villa d'Este hotel on the shores of Lake Como that,

> to defend openness by listing its aggregate benefits is no longer fully convincing. The question of the distribution of those benefits and the disruptive effects that come with them has to be answered. Economists and policymakers therefore have a responsibility to propose and design policies that help those not benefiting directly from globalisation (Cœuré, 2018b).

In Europe, what is needed is 'a redefinition of the social contract' (Cœuré, 2013b) and the construction of 'a truly European public space' (Cœuré, 2013a). Here, a 'clear political narrative' on the benefits of integration is needed along with 'a process that ensures the buy-in of citizens, governments and parliaments, that fosters a broad debate concerning our common understanding of what economic

[24] As she continues: 'So we should not be communicating through complex facts, coefficients and rules. This only reinforces the impression that the EU is an arrogant elite that already knows all the answers. . . . Communication between the public and institutions needs to involve a great deal of commitment and to flow in both directions. The people need to be included so that we can regain their trust and convince them that the EU works for them and takes their concerns seriously' (Lautenschläger, 2019). Here, Lautenschläger even floats the idea of citizens' assemblies.

policies in a monetary union should look like' (Cœuré, 2015). Looking to the post-pandemic future in September 2020, Lagarde (2020b) told French and German parliamentarians that 'Europe's citizens must be at the centre of the debate about the Europe that we want to build as we emerge from the crisis'. Thus, an emphasis is placed not just on the need for better communication and education from the top, but also for the amplification of voices from below. This will enhance legitimacy, build consensus, and improve trust. And this is in central bankers' interests; after all, 'A high degree of trust by citizens is ultimately the most important safeguard of central bank independence in the long term' (Draghi, 2013).

In sum, the discourse of stakeholder capitalism—detectable in the years immediately following the GFC, but particularly dominant in the last half-decade—pivots around five core reform areas. First, a set of technocratic policy fixes to promote the development of human capital and help build a more stable and equitable open-market order. Second, these modest proposals have been accompanied by a more fundamental shift—or at least the beginnings of a shift—in economic thinking away from certain neoliberal nostrums, with increasing emphasis placed upon the need for more active fiscal policy in particular. Third, this shift in thinking on macroeconomic policy plays out, to a degree, in the rise of green-finance rhetoric and policy, with public investment seen as an important catalyst for a wider private-sector-driven energy transition. Fourth, to accomplish all of the above, there is a need to strengthen and deepen cooperative multilateral governance structures and resist the push towards protectionism and deglobalization. Finally, cultural reform, economic education, and democratic renewal are viewed as crucial enabling features of a more 'inclusive' capitalism, and policymakers must lead from the front, finding ways to better communicate with, and educate, citizens and to foster consensus.

Thus, while the discourse of authoritarian neoliberalism emphasizes the need to foreclose democratic contestation of the economy by further insulating or encasing the latter, the discourse of stakeholder capitalism is oriented towards absorbing and neutralizing democratic contestation by softening some of the harder edges of the open-market order, re-moralizing the economy, and educating and giving 'voice' to citizenries. On the one hand, the good technocrat should respond to repoliticization by further insulating economic management from democratic contestation; on the other hand, enlightened policymakers should accept, within limits, that citizenries may be justified in their dissatisfaction with the status quo, and seek to address these concerns in good faith.

However, while there is apparently a place for 'more democracy' in the discourse of stakeholder capitalism, the conception of democracy that is deployed is exceptionally thin. Democracy is conceptualized not as the meaningful contestation of the distribution of power and resources, but rather as a relentless machine for building consensus (Rancière, 2014). Opposing value systems and fundamental conflicts over the distribution of resources do not exist, only 'stakeholder engagement' oriented to revealing the 'public interest' or the preferences of 'society' at large. Exponents of stakeholder capitalism thus call for more education on how the economy works and to 'listen' more attentively to the citizenry. But the intention behind such endeavours is to develop or fortify consensus around already-existing institutions of technocratic economic governance, or at best to tweak them at the margins. In this sense, the kind of democratic engagement that is called for is one that provides a gloss of legitimacy and inclusiveness to existing regimes of power and governance. While important elements of macroeconomic policy have started to be rethought in a manner that may generate more socially progressive outcomes, the core of the neoliberal and technocratic project remains the same: neutralize the threat to market capitalism posed by mass democracy.

Chapter Summary

In this chapter, I have developed an original conception of central bankers as *organic intellectuals* of and for finance capital—intellectual and moral leaders who promote particular ideological narratives and aim to shape elite common sense regarding how capitalism should be understood and governed. I have also provided evidence to support this conception through an analysis of speeches from high-ranking officials at the ECB and the Fed. By providing a synthetic analysis of the broader ideological narratives that are promoted by these central bankers, and contextualizing them within the context of ‘uncertainty, confusion, and disagreement among the dominant elite’ (Stahl, 2019, p. 336) following the GFC, I have delineated and critically interrogated three key discourses: (1) a thickening climate of fear; (2) a reactionary authoritarian neoliberalism; and (3) a conciliatory stakeholder capitalism.

First, I have argued that a climate of fear has developed in central banking and the wider policy establishment in response to the repoliticization of ‘the economy’ and its management following the credit crash of 2007–2009. This climate of fear pivots around the rise of recalcitrant nationalisms and populisms, inflationary and deflationary threats, trenchant economic stagnation, fraying social cohesion, and the perception that CBI is under threat. In response to this latter issue, I argued, central bankers have launched a sustained drive to defend their independence, with some going as far as to position the independent central bank as a heroic guarantor of the liberal democratic order. More broadly, though, I have argued that the repoliticization of ‘the economy’ and its management has driven the development of two further ideological responses. First, the intensification of authoritarian neoliberalism, in which fiscal austerity, neoliberal structural adjustment, and the fortification of the rules-based global order are advocated for as means of foreclosing democratic contestation and ensuring a return to economic prosperity. Second, and increasingly dominant, there has been the rise of the discourse of stakeholder capitalism. Exponents of stakeholder capitalism, while approving of the essential market structures of neoliberal financial capitalism, see a role for a more fiscally active state, for the ‘greening’ of finance, and even for consensual democratic renewal.

If the thickening climate of fear is a hysterical response to repoliticization—and I suggest that it is—then we should view authoritarian neoliberalism and stakeholder capitalism as direct attempts to manage this new, more unstable and more contested political economy. On the one hand, authoritarian neoliberalism seeks to foreclose repoliticization by further insulating ‘the economy’ and its management from democratic interference—a doubling-down on the project of technocratic economic governance. On the other hand, stakeholder capitalism—which responds also to the ideological inadequacies of authoritarian neoliberalism and the socio-economically destructive effects of its associated policies—seeks to absorb and neutralize democratic contestation by re-moralizing capitalism and promoting a consensual form of democracy, without, however, fundamentally altering the underlying political economy.

CHAPTER 5: SAVING FINANCIAL GLOBALIZATION AT THE BANK FOR INTERNATIONAL SETTLEMENTS

The Bank for International Settlements (BIS) is an international organization that influences central bank and financial-regulation policy globally. Building from the conception of central bankers developed in the previous chapter, this chapter examines how the BIS, as a *collective* organic intellectual of and for finance capital, has sought to maintain the hegemony of financial globalization following the shock of the Great Financial Crisis (GFC) of 2007–2009 and the subsequent unravelling of the neoliberal open-market order. Like the central bankers surveyed in chapter 4, the BIS has been a vocal defender of financial globalization throughout this period, seeking to galvanize action among the governing elite to promote and fortify a positive vision of the open-market order and what it can deliver. Also like the central bankers discussed in chapter 4, the BIS has argued that many of 'the economic and intellectual challenges facing central banks have taken root in the seismic developments that have yielded most of the economic gains since the early 1980s' (Borio, 2019), including financial globalization itself. While recognizing four economically, politically, and socially destabilizing 'side effects' of financial globalization—(1) the uneven distribution of its benefits, (2) its contribution to increased income inequality within countries, (3) domestic financial exposure to international financial trends, and (4) an unstable and procyclical global financial system—the BIS has consistently stressed that, 'These side effects of globalisation do not imply that it should be rolled back; rather, they indicate that it should be properly governed and managed' (BIS, 2017, p. 16). The bank's essential wager is that if policymakers can better understand how contemporary, globalized capitalism works, then they can effectively govern it, ensuring wider economic, political, and social stability.

To this end, and of principal interest for this chapter, in response to the repoliticization of 'the economy' and its management following the GFC, the Bank for International Settlements has advocated for a transformation in how the global financial system is visualized and understood (Baker, 2018; Tooze, 2018a). Critical of the 'island' view (Shin, 2017) of the global economy that dominates macroeconomics, in which fragilities are largely located between national economies in the form of current-account imbalances and government-debt burdens, the BIS has developed a new 'economic imaginary', which I call Global Balance-Sheet Capitalism (GBSC). GBSC takes the 'matrix of interlocking balance sheets' (Shin, 2017; Tooze, 2018a) of global corporations to be the central objects of regulatory 'observation, calculation, and governance' (Jessop, 2009, p. 345) in 21st-century capitalism. This is a matrix that 'does not respect geography' (Shin, 2017), and so national borders are consequential only inasmuch as they present political-economic challenges to 'good' financial governance, which should be undertaken with a view to the stability of the system at the *global* level.

In this chapter, I delineate and critically unpack this economic imaginary, focusing on the BIS's identification of the 'global financial cycle'—credit-fuelled booms that end in economically destructive busts—as one of the central governance problems of Global Balance-Sheet Capitalism. For the BIS, the global financial cycle, which culminates in systemic financial crises and therefore threatens the stability of financial globalization as a political project, is ultimately ineradicable in an open-market order. However, it has been exacerbated by what the bank calls the 'excess financial elasticity' of the international monetary and financial system: policymakers have allowed dangerous financial imbalances to build up over time because they have failed to put in place sufficient counter-cyclical mechanisms to constrain credit growth (BIS, 2015; Borio & Disyatat, 2011, 2015). Seeking to 'properly' manage GBSC, then, the bank has advocated a set of significant shifts in the spatio-temporality of macro-policy—namely, rescaling the spatial horizon of economic management from the national to the international and the temporal horizon of economic management from the (political) short-term to the (technocratic) medium- to long-term. In this technocratic imaginary, the longevity of financial globalization is to be ensured through fidelity to a set of principles of 'good' economic governance, in which policymakers must continuously strive to be more provident, more prudent, and more innovative in the pursuit of lasting economic and financial stability.

Building on the contributions of chapter 4, this chapter provides further evidence and analysis of central bankers' role as organic intellectuals of finance capital and promoters of technical solutions to political problems. It also provides a second case study in the 'kaleidoscopic refraction, splintering, and recombination' (Slobodian & Plehwe, 2020, p. 3) of neoliberal ideology in the post-GFC period, foregrounding in particular the complementarities and interlinkages of neoliberal and technocratic worldviews (see thesis introduction). But while chapter 4 focused on the broader ideological narratives developed by central bankers over the past decade, this chapter examines in detail an attempt at *intellectual reorientation* from within one institution. In doing so, this chapter makes two further contributions to research. First, in tracing out and critically discussing the economic imaginary of Global Balance-Sheet Capitalism, I show how this way of visualizing 21st-century capitalism as a *global object of governance* opens out onto a set of policy prescriptions for *how it should be governed*. As Timothy Mitchell (2009, p. 416) writes, 'The deployment of expertise requires, and encourages, the making of worlds that it can master'. In critically delineating GBSC, then, I provide a case study of one notable attempt at (re)constructing the economy as a 'world' amenable to particular forms of expert management. Second, building from this, I emphasize the importance of paying attention to the ideological investments, contradictions, and limitations of these elite 'world-building' projects. While there is much of value in the BIS's conceptual and analytical schema, which helps to explain, among other things, how and where pressure builds up in the global financial system, how financial crises break out, and how they can be resolved, I argue that the bank's prescriptions for its 'proper' management remain oriented to, and limited by, a deep ideological investment in financial globalization (Ozgercin, 2012) and a set of fetishistic attachments to technocratic ideals of governance.[1]

[1] The BIS's conceptual and analytical insights have been extended by the burgeoning 'critical macro-finance' literature (e.g., Dafermos, Gabor, & Michell, 2020; Gabor, 2020; Murau, 2017; Tooze, 2018a). This literature pushes the BIS's insights in a *critical* direction, examining how financial institutions and ideas co-evolve, how states and markets are instrumentally, structurally, and infrastructurally entangled, and how evolution in macro-financial institutions and ideas in turn reshapes the political economy. The BIS's work on the international monetary and financial system also has important cross-overs with work from economists

As with chapter 4, this argument builds upon, but also departs in a number of ways from, existing literature from economic sociology and International Political Economy (IPE). Scholars working in these fields have provided penetrating insights into the political-economic, institutional, and ideational processes and dynamics shaping the emergence of financial governance regimes over the neoliberal period (e.g., Braun, Krampf, et al., 2021; Gabor, 2021b; Konings, 2012; Krippner, 2011). As a small critical literature has detailed (Andersson, 2016; Baker, 2013a, 2013b, 2015, 2018; Ban et al., 2016; Westermeier, 2018), the BIS has been influential in this field, most notably in shaping the debate on financial regulatory reforms after 2008 via its advocacy of the 'macroprudential approach' to financial regulation (pre-emptive intervention to manage systemic risk) and its role in the formulation of the Basel III accord (a set of global standards on bank regulation). To the best of my knowledge, however, there have been no detailed studies of the BIS's wider vision of what constitutes the 'proper' management of 21st-century capitalism, and only limited attention has been paid to the ideological underpinnings (Ozgercin, 2012) and limitations (Baker, 2018) of the organization's discourse. By drawing attention to the co-construction of 'the economy' as a global object of governance and of a governance regime appropriate to this object, and by highlighting the ideological figures that undergird this economic imaginary, the present chapter aims to begin the process of filling in these gaps.

The remainder of the chapter is organized as follows. The first section introduces the BIS and considers why it can be usefully conceptualized as a collective organic intellectual of finance capital. The second section introduces the data that I draw upon and outlines Bob Jessop's concept of economic imaginaries, which I employ as an analytical device in this chapter. The third section considers the BIS's identification of financial globalization's discontents and the intellectual and moral leadership it has displayed in attempting to marshal support for financial globalization among elites. The fourth section outlines the key tenets of Global Balance-Sheet Capitalism, focusing on the central

Brunnermeier and Pedersen (2009), Gorton and Metrick (2012), Mehrling (2013a, 2015), Pozsar (2014, 2015), and Rey (2015), among others.

governance problem of the global financial cycle. The fifth section then critically evaluates the BIS's technocratic prescriptions for the 'proper' management of GBSC. A brief summary section concludes.

1: The Bank for International Settlements as a Collective Organic Intellectual

Unlike its more visible peers, such as the International Monetary Fund (IMF) and the World Bank, the Bank for International Settlements is a limited liability company, owned by its member central banks. Sixty-three central banks currently hold voting rights at the BIS, with the central banks of the large advanced economies exerting the most influence. The upper management of the BIS is composed of officials with prior high-level experience in central banks, international organizations, finance ministries, and private finance. Today, it pursues four core roles: (1) providing banking services for member central banks; (2) encouraging and facilitating international cooperation and knowledge sharing in central banking and financial regulation; (3) producing data, theory, and analysis on the international monetary and financial system, a function carried out by the Monetary and Economic Department; and (4) driving 'responsible innovation' in monetary and financial systems, a task entrusted to the recently founded Innovation Hub, with outposts (at the time of writing) in Switzerland, Hong Kong, London, Stockholm, and Singapore, and plans for expansion to Toronto, Frankfurt, and Paris in the near future.[2]

At first glance, then, the BIS perhaps appears as something of a collective traditional intellectual. In the 'hyper-scientized' (Marcussen, 2006; Mudge & Vauchez, 2016) world of 21st-century central banking and financial regulation, the BIS derives epistemic authority from its command over a highly technical and complex field—the international monetary and financial system—and cultivates this authority in part through formal channels. It also cultivates the veneer of standing outside of particular social interests in its capacity as an 'international public servant', in the words of

[2] The Innovation Hub was set up in 2019 in response to the growth of digital financial technologies and the potential challenges they pose to central bankers and regulators. It serves as a research centre, policy adviser, and coordinating hub for the study and promotion of new forms of financial technology, cyber-security issues, and green finance, among other things.

Agustín Carstens (2018a), the bank's current general manager. However, given its historical development as a private 'club' (Tsingou, 2014) for central bankers and financiers, its long-standing advocacy for, and role in the development of, financial liberalization, and its key function today as a 'thought leader' for financial policymakers, I suggest it is both more accurate and more analytically useful to conceptualize the BIS as a *collective organic intellectual* of and for finance capital.

The BIS was founded by European central bankers and financiers in 1930 in order to manage the payment of Germany's war reparations and to strengthen and expand the gold standard (Simmons, 1993; Toniolo, 2005). It was also, from an early stage, interested in encouraging 'uniformity and understanding of banking practices by conference, study, and personal contacts between various financial centers' (Dulles, 1932, p. 43 in Marcussen, 2009, p. 85). This included the creation and analysis of important statistical material on banking, money, and exchange rates. With the onset of the Great Depression, both Germany's reparation payments and the gold standard soon collapsed, and the BIS endured a tumultuous decade-and-a-half, narrowly avoiding liquidation for its role in aiding Nazi Germany during the Second World War (Helleiner, 1994). However, it emerged after the war as the preeminent provider of statistics and analysis on the international monetary and financial system (Marcussen, 2009; Seabrooke, 2006), and thus as a significant epistemic authority.

Given its roots as a hub for central bankers and financiers, the BIS was never comfortable with the financial repression of the Bretton Woods era, nor with the subordination of finance to democratic constraints, and advocated strongly for the liberalization of capital flows over this period (Braun, Krampf, et al., 2021; Helleiner, 1994). After the collapse of Bretton Woods and the intensification of financial globalization—a welcome development for the BIS—the bank became increasingly influential in coordinating international responses to financial crises and thus in stabilizing and entrenching financial globalization. As Helleiner (1994) argues in his classic account of this period, from the 1960s onwards the BIS became the key node linking G10 central banks together. Crucially, 'Understandings built through the frequent BIS meetings proved crucial in fostering cooperative central bank responses' to the major financial crises of this period such as the Latin American debt crisis of 1982 and the stock-market crash of 1987 (Helleiner, 1994, pp. 11, 17). As Helleiner (1994, p. 17) notes, 'in the wake of each crisis central bankers met within the BIS to construct an increasingly sophisticated set of norms, rules, and decision-making procedures for handling and preventing future crises'. The BIS also led the formulation of the Basel I standards on bank regulation in the late 1980s, Basel II at the turn of the millennium, and, following the Great Financial Crisis, Basel III. In these respects, the BIS has been a crucial coordinating and organizing force in the development of the global epistemic community of central bankers in the era of financial globalization (Baker, 2015; King, 2005; Rosenhek, 2013; Westermeier, 2018). Moreover, this work of the BIS's also 'did much to alter market behavior and instill confidence among private operators by demonstrating the seriousness with which financial officials were attempting to handle potential problems' (Helleiner, 1994, p. 190).

Thus, in both founding and subsequent development, in its historical advocacy for financial liberalization, and in its core roles as a coordinator and intellectual leader of central bankers, the BIS can be said to be 'organically' connected to finance capital as a class, playing a role in providing it with, in Gramscian terms, 'homogeneity and an awareness of its own function' (Gramsci, 1971) and working to ensure that the 'right' people are in charge of the international monetary and financial system. Indeed, as Ozgercin writes:

> the most powerful idea that shaped the BIS's original institutional design in 1930, and has guided its institutional culture ever since, is that central bankers and to a lesser, albeit significant, extent prominent international commercial bankers – not 'politically controlled' finance ministers – should be responsible for governing finance (Ozgercin, 2012, p. 99).

Of interest in the present chapter is the BIS's role in providing intellectual and moral leadership on how the international monetary and financial system should be understood and governed. While the BIS's work in this area does not necessarily translate directly into policy outcomes in national contexts (Baker, 2013b, 2015), as previous research has shown it is nevertheless (potentially) influential in shaping the way in which policymakers think about the global economy and its management (Andersson, 2016; Baker, 2013b; Ban et al., 2016; Seabrooke, 2006; Westermeier, 2018). Thus, while the previous chapter treated officials at the European Central Bank and Federal Reserve as *individual* organic intellectuals, in this chapter, I treat the BIS as a *collective* organic intellectual. As the following sections show, this conceptualization of the BIS enables us to both better understand its place in the contemporary political economy and to develop a critical reading of its intellectual output.

A small body of critical literature has engaged with the BIS's reconceptualization of the global financial system and how it should be governed in the wake of the GFC, largely focusing on the ideational and institutional contexts out of which the macroprudential approach developed and was successfully transmitted.[3] Building upon constructivist International Political Economy scholarship, which examines how and why 'paradigm shifts' occur in policymaking and how such shifts translate into concrete policy outcomes (see Blyth, 2002; P. Hall, 1993), Baker (2013a, 2013b, 2015, 2018) has examined the so-called 'macroprudential ideational shift' that has occurred in financial governance in the wake of the GFC, and the leading role of the BIS therein. In contrast to the efficient-market theories that dominated banking regulation pre-2007, advocates of the macroprudential approach, drawing upon the work of Hyman Minsky, emphasize that financial instability is endogenous in financial markets, which are procyclical and complex ecosystems, subject to herding behaviour, in which risks cannot be effectively calculated in real time and even small shocks can generate unforeseeable chain reactions and adverse feedback loops (Baker, 2018, pp. 300-305). The upshot of this diagnosis is that regulators should focus attention not just on the soundness of individual financial institutions (microprudential regulation), but on the resilience of the system as such (macroprudential regulation). While making steps towards the development of the macroprudential framework from the early 2000s, the BIS nevertheless shared in the widely held belief, prior to the GFC, that bank supervision

[3] A number of key features of GBSC also form the analytical backbone of Tooze's (2018a) history of the GFC and its fallout, and his analysis of the economic implications of the Covid-19 pandemic (Tooze, 2021).

was 'best practiced through minimal state intervention in financial markets, relying heavily on private banks to be self-regulating' (Ozgercin, 2012, p. 98). The intellectual transformation that has occurred after the GFC has therefore been significant. However, as Baker (2013a, 2018) and others (Helleiner, 2014; Thiemann, 2019) have noted, the actual translation of the macroprudential perspective into concrete policy reform has been limited.

As Baker (2018, p. 294) notes, the BIS and others have also failed to link macroprudential policy to a wider 'social purpose', to 'a systemic vision, which specifies the purpose, function and contribution of the financial system' in broader socio-economic terms. Baker highlights epistemological, professional, and institutional barriers to the development of a politics of social purpose in financial regulation—namely, a commitment to formal mathematical modelling and simple policy objectives among advocates of the macroprudential approach; 'strong peer group incentives to stay within such boundaries' (Baker, 2018, p. 308); and the fact that central bankers interpret their delegated authority in a primarily technical sense, meaning they do not see themselves as possessing the authority to make normative judgements. Valuable as this account is, it neglects to consider two other important issues: first, the intellectual and moral authority that central bankers do have and, contrary to Baker's assessment, frequently wield (as we saw in chapter 4); and second, the way in which the BIS's commitment to technocratic economic governance largely forecloses the development not just of a politics of social purpose, but of a substantive vision of social purpose emerging in the first place. I expand on each of these issues in the present chapter.

Attention is also given to the institutional and intellectual foundations of the BIS's discourse in papers by Ozgercin (2012), Andersson (2016), and Westermeier (2018). Focusing on how 'analytic institutions'—the bodies and processes that develop and police the cognitive frameworks within which policy is produced (Broome & Seabrooke, 2012, p. 3)—shape the way in which policy problems are identified and constructed at the BIS, Ozgercin (2012) examines how the bank 'sees' the world and seeks to make it 'legible' to the central banks for which it produces data, analysis, and policy advice. In this account, how the BIS 'sees' financial governance is shaped by the institutional design and normative framework of the bank, which generate a strong preference for financial integration, open markets, and the dedemocratization of money and its management. In contrast, Andersson (2016) approaches the BIS through the lens of performativity, examining how the bank and its staff portray and understand the discursive power and influence of the organization itself, and how this institutionalizes certain norms and epistemes in global financial governance. Here, Andersson argues that the BIS views itself—and is viewed by its member central banks—as a purveyor of 'soft law', the non-binding norms and standards by which the global epistemic community of central bankers should abide (see also, Brummer, 2020). Finally, Westermeier (2018) conceptualizes the BIS, particularly its Monetary and Economic Department, as an influential 'think tank' for financial policymakers, tracing the bank's advocacy of the macroprudential approach and its success in disseminating this view via the development of a wider 'discourse coalition' committed to the empty signifier of 'financial stability'. Here, it is argued that the BIS's influence stems principally from its positioning as apolitical and technically proficient as well as its possession of vast and important data resources on global banking. Indeed, this is the self-image proffered by BIS staff, who see themselves as 'providers of technical and evidence-based expertise' and view financial governance and regulation 'as the application of technical measures to a more or less working system and less as political matters' (Westermeier, 2018, p. 178). As we will see in the following sections, this self-image rather downplays the strident intellectual and moral leadership displayed by the BIS in defending financial globalization over the past decade.

While this literature provides many important insights into the role of the BIS as an epistemic authority in elite policy circles, there have been no detailed studies of the organization's defence of financial globalization over this period, nor of its wider vision of what constitutes good economic governance in the 21st century, while only limited attention has been paid to the ideological underpinnings (Ozgercin, 2012) and limitations (Baker, 2018) of the bank's discourse. I seek to address these gaps in the literature in the remainder of this chapter.

2: Data and Methods

As in chapter 4, my analytical methods are informed by Fairclough and Fairclough's (2012) approach to analysing 'practical argumentation' in policy. In this chapter, my analysis is further aided by Jessop's (2009) concept of 'economic imaginaries'. The concept of economic imaginaries relates to the sociological insight that 'the economy' is an historically constituted object of knowledge–power regimes (Breslau, 2003; Foucault, 2007; Jessop, 2009; Miller & Rose, 1990; Mitchell, 1998; Radice, 1984; Tooze, 2001). As Miller and Rose (1990, p. 6) argue:

> [government] becomes possible only through discursive mechanisms that represent the domain to be governed as an intelligible field with its limits, characteristics whose component parts are linked together in some more or less systematic manner. . . . Before one can seek to manage a domain such as an economy it is first necessary to conceptualize a set of processes and relations as an economy which is amenable to management.

As Mitchell (1998, p. 84) has argued, the contemporary conception of 'the economy' as 'the structure or totality of relations of production, distribution and consumption of goods and services within a given country or region' was only established in the inter-war period. In turn, this drove the development of a science of political-economic governance, and thus the creation of a distinct language, a set of conceptual apparatuses, and a multitude of practices of statistical creation and analysis (Breslau, 2003; Miller & Rose, 1990; Mitchell, 1998; Radice, 1984; Tooze, 2001). The development of macroeconomics as an epistemological enterprise thus gave birth to a particular conception of 'the economy' as a distinct national sphere that could be demarcated from the wider set of social relations in which it is embedded, rendered visible in certain kinds of statistics such as GDP, and governed via specific forms of intervention.

Economic imaginaries is a concept that describes the meta-discourses that define what 'the economy' is, how it works, how it can be managed, and what the relationships between the economy and other social spheres are. Economic imaginaries frame and orient our lived experience in an exceedingly complex world. As Jessop (2009, p. 345) writes:

> The totality of economic activities is so unstructured and complex that it cannot be an object of effective calculation, management, governance, or guidance. Instead such practices are always oriented to subsets of economic relations. . . . Economic imaginaries have a crucial constitutive role in this regard. They identify, privilege, and seek to stabilize some economic activities from the totality of economic relations and transform them into objects of observation, calculation, and governance.

In decomplexifying the world and bringing 'the economy' into being, economic imaginaries therefore proscribe limitations as to what can be thought, who can speak, and what counts as legitimate knowledge as regards 'the economy' (Sum & Jessop, 2013, pp. 165-166).

While they will always remain partial, hybrid, and open to contestation—that is, sites of hegemonic struggle—as Jessop (2009, p. 346) notes, 'where an [economic] imaginary has been successfully operationalized and institutionalized, it transforms and naturalizes these elements and instrumentalities into the moments of a specific economy with specific emergent properties'. A successfully embedded economic imaginary will thus not appear as one articulation among other possible articulations; it will simply appear as 'the economy'. In Gramscian terms, then, economic imaginaries are instrumental in the production of economic common sense at both the elite and popular levels. As discussed in the thesis introduction, organic crises are periods of intense hegemonic struggle, in which economic common sense breaks down. As Samman (2019, p. 41) notes, 'During such periods, agents vie to remake social relations from within, and imagined economies serve in equal parts as weapons and bridges in this process'. In examining GBSC and the ideological figures that lurk within it, this chapter traces out the development of one such weapon/bridge in the post-GFC era of hegemonic instability and epistemological disorientation.[4]

As with the previous chapter, one of the key sources of data that I draw upon to develop this analysis are speeches by BIS management, downloaded from the bank's online archive.[5] These speeches are predominantly given to high-level audiences at central banks, international organizations, financial regulatory institutions, universities, and think tanks. The entire corpus of 436 speeches from the years 2000–2020 was downloaded and then sifted for relevance using keyword searches on the NVivo text-analysis software. In total, 61 speeches were closely analysed (a complete list of these speeches can be found in appendix). As with similar studies of economic ideas at international organizations (Baker, 2018; Gabor, 2015; Lowery, 2021), I supplemented this analysis with two further data sources. First, I consulted the 20 annual reports from the years 2000–2020. In each case, I read and coded the introduction and first substantive chapter of these reports, which typically lay out the year in review and the BIS's key policy recommendations. These reports also include special chapters that provide insights into how the organization thinks about issues such as financial globalization and cryptocurrencies; where relevant, these chapters were also analysed. Second, I analysed a number of working papers produced by senior staff in the Monetary and Economic Department. These papers were chosen through an inductive process during the analysis of the speeches and annual reports in which they were cited. Taken together, these data sources provide a relatively comprehensive, though not necessarily complete, picture of the BIS's thinking about global capitalism and its governance over the period 2000–2020.

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4 Drawing on evolutionary biology, Jessop and Sum's cultural political economy approach can be used to examine (among other things) how economic imaginaries are 'selected for', particularly in periods of crisis. However, I bracket this question in the current chapter, focusing instead on examining the substance of the particular economic imaginary of Global Balance-Sheet Capitalism, contextualizing it within the intellectual and ideological terrain in which it has been developed, and subjecting the BIS's arguments to ideology critique. As such, I also leave to one side the question of how influential (or not) the BIS's ideas have been in elite circles, although other work in (constructivist) IPE has examined this question (see Baker, 2013b, 2018; Ban et al., 2016; Westermeier, 2018).

5 See: https://www.bis.org/mgmtspeeches/index.htm?m=7%7C39

3: Financial Globalization Under Threat

As we saw in chapter 4, the past decade has seen a thickening climate of fear among elites regarding the prospects of, among other things, globalization and central bank independence (CBI); the BIS is no exception. However, what is striking about the BIS's discourse in comparison to that of other central bankers is both its sustained stridency in attempting to marshal support for financial globalization—a reflection of its global remit and long history as an advocate for financial liberalization and global governance—and its status as an early mover in reappraising how 21st-century capitalism works. This section examines how the BIS has grappled with growing discontent with financial globalization, emphasizing the intellectual and moral leadership it has shown in attempting to galvanize elite policymakers to defend the open-market order. The following sections then consider the construction of Global Balance-Sheet Capitalism as an object of governance and the BIS's prescriptions for its 'proper' management.

In the early 2000s, while more circumspect than the majority of finance capital's intellectual elite as to the stability of the open-market order (Borio & White, 2003; White, 2006), the BIS was nevertheless committed to spreading the gospel of financial liberalization. Despite recognition of the dangers of poorly managed transitions to open markets—evidenced in the bank's estimation by the financial crises of the 1990s in Scandinavia, East Asia, Russia, and Latin America (Knight, 2006a)—and the fact that the 'breathtaking development' of financial technologies, such as risk-spreading derivatives, could not totally overcome the 'innate tendency of both borrowers and lenders to alternate between periods of excessive exuberance and unjustified pessimism about future prospects' (Knight, 2005), on the eve of the GFC the BIS was relatively sanguine about the future of financial globalization. In late-June 2007, little more than a month before BNP Paribas announced the suspension of redemptions from three of its funds, signalling the onset of the 'worst financial crisis in global history' (Bernanke quoted in Tooze, 2018a, p. 163), Malcolm Knight, then general manager, indulged his audience at the bank's AGM with a recollection of progress and prosperity: 'From a longer-term perspective', he opined,

> the past year was only the latest confirmation of what some observers have called the 'Great Moderation' – the extended historical period of comparatively low volatility of both output and inflation that we have been witnessing. To be sure, the road has not been smooth for all. . . . Even so, the last decade at least may well go down in history as a 'golden age' (Knight, 2007).

With the onset of the GFC, the BIS was forced not only to reappraise this supposed 'golden age' but to fight a defensive battle in the service of the open-market order, the future of which had begun to look rather precarious.

In stark contrast to Knight's boosterism were the remarks of the new general manager, Jaime Caruana, at the bank's first AGM following the crisis:

> The times ahead may be particularly difficult. It is not hard to imagine a world in which overly indebted governments intervened heavily in the economy, the financial system was overregulated, the level playing field was impaired, and globalisation was reversed. Recent signs of protectionism and increased home bias . . . highlight the dangers ahead. The move towards that world should be resisted, as it would usher in anaemic growth, much higher inflation risks and international tensions (Caruana, 2009).

This dystopic vision of Caruana's has been a central theme of the BIS's output over the last decade, motivating its defence of financial globalization. Echoing the sentiment of the central bankers surveyed in the previous chapter, the BIS's great fear is a return to the post-war era of financial repression and protectionism, which it argues would reverse decades of progress and undermine the search for long-term prosperity, sending us 'back to an era of trade and financial protectionism and, possibly, stagnation combined with inflation' (Borio, 2014b, p. 20). In response to this threat, the bank has consistently urged policymakers and politicians to maintain faith in the open-market order and to work harder at selling the benefits of trade and financial liberalization to their constituencies.

To the first, while the global credit crunch and ensuing recession was centred around the colossal credit flows that sloshed between American and European banks and shadow banks (see chapter 2), 'We must', Caruana informed an audience at the ECB, 'recognise that the principal threat to stability was not cross-border activity itself. Rather, it was the inadequate recognition and management of the risks related to that activity' (Caruana, 2010). Likewise, while global financial integration has meant hugely increased complexity, making systemic risk much harder to determine—another central feature of the GFC—'the response . . . must not be a retreat to national finance. Instead, it must be a move to better management of systemic risks', something which requires above all, 'a *global framework* for financial stability' (Caruana, 2010). In short, while 'financial crises are the by-product of liberalised financial systems. . . . the answer is not simply to re-regulate and to repress the financial system' (White, 2008). Instead, 'we need', Caruana told an audience at the Central Bank of Iceland in 2017, 'arrangements that harness and consolidate the benefits of globalisation. We cannot turn back the clock' (Caruana, 2017b).

To the second, not only must policymakers avoid the mistake of 'turning back' (Caruana, 2010) from financial globalization, they must recognise the 'clear and present risk of a political reaction to global finance' (Caruana, 2017a), and in turn do a better job of convincing the public of its virtues. Thus, recognising the socially destabilising effects of the GFC and the Eurozone Crisis, the sluggish economic recoveries from both, and the associated rise of nationalist and protectionist politics, particularly after the shocks of Brexit and Trump in 2016, the BIS has counselled policymakers and politicians to provide better 'answers for those who question the benefits of global financial integration' (Caruana, 2017a). This involves taking concrete actions to 'redress its distributional consequences' (Carstens, 2017), by, for example, tackling rising income and wealth inequality through tax reform, or addressing the problem of those who globalization has 'left behind' through the deployment of labour retraining programmes (i.e., stakeholder capitalism). But there is also a need here for enlightened policy institutions, both domestic and international, to show intellectual and moral leadership and make 'a better case for global trade', something which includes educating politicians on, for example, 'the returns to global value chains in advanced economies' and 'the cost[s] of protectionism'. In short, those who have the capacity should be, as Carstens (2017) told a group of East Asian central bank governors, 'spreading and selling to the body politic the benefits of economic and financial integration'.

Importantly, to better sell globalization to politicians and the public, it is necessary to understand how financial globalization actually works and the benefits and costs it entails. In 2017, reeling from the Brexit referendum and the election of Trump, the BIS devoted considerable attention to the issue. In its annual report, and in a series of speeches from management, the bank worked hard to emphasise the essential interdependency of financial globalization and its more politically attractive counterpart, that of 'real' globalization—the globalization of trade. The linkages between real and financial globalization are conceptualized in these documents as consisting of three analytically distinct but empirically interconnected layers (see BIS, 2017, pp. 98-99). First, there is the simple trade of raw commodities and finished goods, which are tied to relatively simple cross-border payments, and thus foreign-exchange transactions, around half of which involve the US dollar. Second, there is the far more complicated and now far larger layer related to foreign direct investment, outsourcing, and global value-chains—that is, to the more specialized trade in services and intermediate goods that began to develop in the mid-1980s, driven largely by multinational corporations. This layer requires not just more financing but also *more complex* financing, such as the deployment of derivatives that reduce the risks associated with cross-border financing in foreign currency. Finally, there are the 'intricate financial links established solely for financial purposes' (BIS, 2017, p. 97). This is the trading and management of financial assets and liabilities—that is, balance-sheet positions—that are generated by trade in the first two layers, but also by the demand for 'increasingly sophisticated financial products' associated with, in the bank's aseptic language, the growing 'wealth of businesses and households' (BIS, 2017, p. 97)—in other words, the capital glut of the rich under neoliberalism (see chapter 2). This layer, consisting of colossal and densely interwoven flows of credit, is in large part ‘decoupled’ from real globalization, floating above it in a financial ether-world, but nevertheless, in the bank’s view, essential to its healthy functioning.

This is undoubtedly a useful presentation of financial globalization. But what is interesting about it from an ideological perspective is how the BIS emphasizes the essential links between two sides of market liberalization: on one side, the more intuitively ‘good’ globalization of trade, associated with economic prosperity, consumer choice, and economic and cultural interconnectedness; and on the other side, what is more often seen as the ‘bad’ globalization of finance, associated with greedy bankers, casino capitalism, financial crises, bond-market vigilantes, and the loss of national sovereignty. Here, the bank is at pains to point out that:

> Financial openness is inextricably intertwined with trade openness: financial linkages both support trade, and are created by trade. Financial openness, properly managed, can also independently enhance living standards through a more efficient allocation of capital and know-how transfers. . . . Since international trade and finance are inextricably intertwined, particularly in the first two globalisation layers, reaping the benefits of trade would be impossible without international finance. That is why the policy solution is not to reduce financial openness, but rather to carefully address the associated risks (BIS, 2017, pp. 112-113).

There is, unsurprisingly, a notable absence of concern about labour-market mobility as a potential or desired feature of globalization in these documents, an omission with deep roots in the worldview of neoliberal globalism (Slobodian, 2018). More strikingly, by drawing this essential and virtuous link between real and financial globalization, the BIS conveniently elides any consideration of just how far it is socially beneficial to allow the third layer of globalization—in which the real and the financial become decoupled—to develop, even though it is in precisely this layer that the destabilizing financial imbalances that culminate in financial crises build up.[6] The issue is simply passed over, as if inviting such consideration would risk undesirable political reactions.

Indeed, in other contexts the BIS has warned against promoting narratives that would encourage the growth of anti-globalization sentiment. In 2016 and 2017, with some commentators suggesting that globalization, in both trade and finance, was already in decline—as indicated by data on cross-border bank flows—the BIS urged policymakers not to buy-in to this narrative on the grounds that indulging it would risk sending politicians in the wrong direction (BIS, 2017; McCauley, Bénétrix, McGuire, & von Peter, 2017).[7] As Caruana warned an audience of financiers in early 2017:

> If one thinks that peak finance is passed, then one may believe that there is less harm in policies that interfere with the free flow of capital. If one thinks that peak finance is passed, then one may believe that there is less harm in policies aimed at keeping national savings for one's own workers. If one thinks that peak finance is passed, then one may believe that there is less harm in choosing purely national regulatory solutions and in reducing international cooperation at the risk of fragmenting financial markets. Thus, the risk is clear. The thought that global finance has already peaked may sap our will to resist policies that push in that direction. And even if the data show that financial deglobalisation is not happening, it is the case that pressures are building to push back financial globalisation (Caruana, 2017a).

[6] There was, it should be noted, some enthusiasm at the BIS for the retrenchment of finance in the years immediately after the GFC (e.g., Cecchetti, 2012). However, this had largely vanished from the organization's discourse by the late-2010s.

[7] Some observers had interpreted the decline in cross-border claims reported by banks following the GFC as evidence that 'peak finance' had been reached and we were now deglobalizing. However, the BIS's consolidated banking data show that this was largely driven by retrenchment in the UK and European banking sectors, the latter of which never fully recovered after 2008, with US, Japanese, Canadian, and Australian banks all continuing 'down the path of international financial integration' (McCauley et al., 2017, p. 8). Additionally, bond markets and asset managers took over an increasing share of the banks' activity following the crash (BIS, 2017, p. 105).

In a similar move, the BIS has sought to inspire central bankers to advocate for and protect financial globalization by linking its fate to a beloved institution that 'spring[s] from the same intellectual and political fountainhead': central bank independence (Borio, 2019). For the BIS, the future of CBI is itself 'tied to the future of the current open global economic order' (Borio, 2019).

The pressures threatening to 'push back financial globalization' are related to what the bank identifies as four central 'adjustment costs' of globalization that policymakers must address. First, the uneven distribution of the benefits of globalization—the issue of those who are 'left behind'—a political problem that has become particularly acute in some Western democracies (Broz et al., 2021; Revelli, 2019). Second, the role of globalization in driving income and wealth inequality within countries, although, as the bank points out, other factors are more significant here (see chapter 2). Third, the exposure of national economies to international financial fragilities and policy spill-overs, which can in turn have significant negative effects on economic development and welfare. Finally, and concomitantly, the development of the procyclical global financial cycle, which can cause devastating financial crises with international consequences (BIS, 2017, pp. 16, 108-114). Of these negative 'side effects' of globalization, by far the most important, from the bank's perspective, are the latter two, which I address in more detail in the following section. As it writes in the 2017 Annual Report, while it 'is dangerous for governments to make globalisation a scapegoat for the shortcomings of their own policies. . . . it is equally dangerous not to recognise the adjustment costs that globalisation entails' (BIS, 2017, p. 21). But, crucially, 'These side effects of globalisation do not imply that it should be rolled back; rather, they indicate that it should be properly governed and managed' (BIS, 2017, p. 16). As Carstens said to his audience at the bank's AGM in June 2018, alluding to the growing trade war between the US and China, 'maintaining an open trading system is one of the toughest tasks. But there is no greater need today than to defend the system that has fostered such enormous global gains' (Carstens, 2018b).

4: Constructing Global Balance-Sheet Capitalism

Beyond appeals to the necessity of intellectual and moral leadership, the BIS's defence of the open-market order pivots around its promotion of a governance framework that it views as appropriate to the realities of 21st-century capitalism. As William White, former head of the Monetary and Economic Department, said to an audience of central bankers in mid-2008, as the GFC was heating up, 'we are still looking for Keynes's "Third Way", a balance of forces to stop an inherently good capitalist system from destroying itself in the end through an inherent tendency to excess' (White, 2008). The first step in determining such a balance of forces is to properly understand how the global financial system works. The product of the bank's labour here is Global Balance-Sheet Capitalism, an economic imaginary that privileges the balance-sheets of internationally active corporations as the central objects of technocratic analysis and governance.

4.1: A 'matrix of interlocking balance sheets'

As Tooze (2018a, p. 41) notes, in the years preceding the Great Financial Crisis the economic establishment had been fixated on what turned out to be 'the wrong crisis'. The dominant approach in macroeconomics when thinking about international financial vulnerabilities is to concentrate on current-account imbalances and government-debt burdens. In the 2000s, with the US running sustained current-account and government-budget deficits, and with a huge amount of US sovereign debt held by Chinese investors, many commentators, including the BIS, busied themselves with predictions of an impending crisis of the dollar (e.g., Bernanke, 2005; Knight, 2006b; Krugman, 2007; Rubin, Orszag, & Sinai, 2004; Summers, 2004). However, as Tooze (2018a) shows, the crisis which did erupt in 2007 and 2008 was centred not on the unstable co-dependency of China and the US, but on the web of financial imbalances that had built up in the North Atlantic banking system. These financial imbalances, characterized by huge capital flows and the tightly interconnected balance sheets of US and European banks and shadow banks, were largely invisible to the economic and policy establishment, who were looking in the wrong places and at the wrong metrics.

As Hyun Shin, head of research at the BIS, puts it, the focus on current accounts and government debt is based on the presumption that national economies are the key unit of macroeconomic analysis, an approach which conceptualizes the global economy as a collection of national economic 'islands' (Shin, 2017). Here, 'analysts measure economic activity within the island and the transactions between islands' (Avdjiev, Everett, Lane, & Shin, 2018, p. 47), and imbalances are determined by netting out the gross claims that countries hold upon one another. However, in adopting the 'island' view of the global economy, one is incapable of visualizing and monitoring the interconnections and imbalances between the balance sheets of corporations that are not necessarily tied to a national economic territory. What is needed in an era of liberalized capital flows, then, is the capacity to visualize the web of international interconnections between the balance sheets of corporations whose actions are not restricted to a national economic territory, whose assets and liabilities may be denominated in international currencies, and who 'are connected to one another in complex patterns' (BIS, 2011, p. 42).

Across a series of working papers, annual reports, and speeches, the BIS has therefore advocated for a comprehensive reimagining of the conceptual and analytical framework in which policymakers think about global financial fragilities. Three central propositions are made in these documents regarding how we can visualize and monitor global finance. First, to gauge potential sources of instability in the financial system, policymakers should pay attention to *gross capital flows*. If a country spends more than it earns, it must borrow the difference. The standard macroeconomic approach here has been to assume that countries running current-account surpluses lend surplus capital abroad to deficit countries; thus, sources of financial instability are identified in the net imbalances created.[8] However, as research on the GFC has demonstrated, critical financial imbalances built up through the 2000s as dollars 'round-tripped' their way out of and back into the US economy. European banks borrowed heavily in dollars from US money market mutual funds and used these

8 This also remains a standard assumption in critical traditions such as Marxist political economy, the Varieties of Capitalism literature, and some variants of post-Keynesian political economy.

dollars to invest in US-originated mortgage-backed securities and associated derivatives, many of which were subprime-related (Avdjiev et al., 2015; Borio & Disyatat, 2011, 2015; Borio, James, & Shin, 2014; McCauley, 2018; Shin, 2012; Tooze, 2018a). Illustrative of this boom, in the five-year period leading up to the crisis, gross cross-border bank claims between the US and Europe almost tripled, growing from $1.5 trillion by the end of 2002 to over $4 trillion by the end of 2007 (Avdjiev et al., 2015, p. 13). These critical financial vulnerabilities were practically invisible to policymakers focused on net imbalances and in no way represented a simple model of surplus countries financing deficit countries.

Second, analysts must properly account for the dependency of the global financial system on *international currencies*, primarily the US dollar and, to a lesser extent, the euro, and must seek to understand how global currency zones work (Avdjiev et al., 2015; Ito & McCauley, 2018). Again, the GFC is illustrative. By 2007, the European banks had built up $8 trillion worth of dollar-denominated assets (Borio & Disyatat, 2011, p. 18), and a dollar-funding gap somewhere between $1 and $6.5 trillion—depending on how it is measured—which they relied upon short-term wholesale funding to bridge (McGuire & von Peter, 2009, p. 15). When wholesale money markets froze in 2007 and 2008, European banks were unable to service their dollar-funding gap. The severity of the crisis was here directly related to the size of the balance-sheet positions that had developed and the fact that European banks were dependent on US-dollar funding, for which they had no recourse to a lender of last resort until the Fed opened its swap lines (see chapter 3). Thus, contrary to the expectations of the economic cognoscenti prior to the crash, the hegemony of the US dollar was actually strengthened by the crisis (Tooze, 2018a), and the global financial system has remained dollar-centric in the years following. Indeed, with the gross dollar liabilities of banks headquartered outside the US standing at $13 trillion at the onset of the financial panic of March 2020—roughly the same as in late 2007—a flight to the dollar once again threatened the solvency of many non-US firms, and the swap lines were reactivated (Aldasoro et al., 2020). Understanding how international currency zones work, how international currencies behave in crisis, and how they affect corporate balance sheets is therefore essential to understanding contemporary capitalism, the BIS argues.

Third, financial-system resilience is best determined by examining the *consolidated balance-sheets* of multi-national corporations, particularly banks, on a *nationality basis*. The standard approach is to examine financial activity on a residency basis, with national accounts providing information about the activity of the residents of a national economic island (Avdjiev et al., 2018; Avdjiev et al., 2015; Shin, 2017). However, the activity of globally active banks and non-financial corporations does not map neatly onto GDP areas.[9] As noted by BIS researchers soon after the GFC, 'Banks have become so globalised, with offices in many countries around the world, that it is impossible to identify vulnerabilities in their balance sheets using residency-based statistics alone' (McGuire & von Peter, 2009, p. 2). Crucially, 'Stresses build up *across* the global balance sheet, as mismatches in the currency or maturity of assets and liabilities, and thus can be understood only by looking at banks' worldwide positions' (McGuire & von Peter, 2009, p. 2). As such, analysts must 'look beyond geography of activity to ownership of firms', with the consolidated balance sheet of the corporation and its interconnections with others the appropriate unit of analysis (Avdjiev et al., 2015, p. 21).

GBSC thus begins from the observation that the conceptual, analytical, and statistical norms of mainstream macroeconomics, which focuses on the national economy and the links between national economies, are unable to provide an accurate visualization of 21st-century capitalism, both how it functions and where its points of vulnerability are located. As stated in one working paper:

> the pace of globalisation has arguably outstripped the pace of innovation in the measurement rules, increasing the tension between the nature of economic activity and the measurement system that strives to keep up with it. Increasingly, companies are global, as is their ownership, with economic activity taking place in a geographically dispersed way. Understanding the impact of macroeconomic

[9] A useful illustration of this is provided in a 2015 working paper from the BIS: 'Take the concrete instance of a US branch of a global European bank that borrows dollars from a US money market fund, and then lends dollars to an Asian firm through its Hong Kong branch. The bank may be headquartered in London, Paris or Frankfurt, but the liabilities on its balance sheet are in New York and the assets on its balance sheet are in Hong Kong SAR. No obvious mapping relates this bank's balance sheet to a GDP area or to GDP components within the GDP area' (Avdjiev et al., 2015, pp. 6-7).

developments, financial price movements or public policies on corporate decisions requires the rearrangement of institutional units dispersed across the world into corporate groups on the basis of ownership and control (Avdjiev et al., 2018, pp. 48-49).

Given the failure of conceptual, analytical, and measurement practices to keep up with the pace of change in globalized capitalism, the BIS has advocated for a conceptual, analytical, and evaluative shift to what I have called GBSC; this is a proposal to visualize global capitalism, in Shin's words, as a 'matrix of interlocking balance-sheets' (Shin, 2017).

Table 5.1. Global Balance-Sheet Capitalism.

Core features	Analytical focal points
• Real and financial globalization • Interconnection of global firms via dense network of financial claims • Core–periphery policy spill-overs • Procyclical global financial cycle • Hyper-dynamic private markets • Inevitability of financial crises • Global bank runs centred around market-based finance • Balance-sheet recessions	• Macrofinancial stability/systemic risk • Interconnections of time-sensitive balance sheets • Gross cross-border capital flows • Behaviour of international currencies and international currency zones • Consolidated balance sheets of global firms on nationality basis • Development of new forms of money • Development of new financial institutions and crisis-resolution mechanisms

Sources: BIS annual reports, management speeches, and working papers, 2000–2020.

4.2: The global financial cycle

If the corporate balance sheet and its interconnections with others is the conceptual, analytical, and evaluative entry point for the BIS, the purpose of analysis is to determine the stability and resilience of the financial system at the macro-level (Baker, 2018). Here, a central problem of GBSC is its tendency to stoke the global financial cycle, which undermines economic, political, and social stability and therefore the long-run prospects of financial globalization. As former ECB president Jean-Claude Trichet (2010c) noted, the BIS was 'ahead of the curve' regarding the build-up of systemic risk in the global system in the years prior to the GFC. The bank had already identified that liberalized capital flows were fuelling the emergence of potentially destabilizing financial cycles in the years preceding the crash, and had argued for more policy action to both reduce the intensity of these cycles and the exposure of domestic economies to them (see BIS, 2001, chaps 7 & 8; 2005, chaps 1 & 7; Borio, Furfine, & Lowe, 2001; Crockett, 2000). However, this was qualified by a faith in the capacity of markets to manage risk through inventions such as securitization and credit default swaps and the BIS's rosy interpretation of the global economy in the years following the dot-com bust (see BIS, 2004, 2005, 2006, 2007). The GFC undermined this faith and radicalized the organization's view of the financial system as inherently unstable and procyclical (Baker, 2018).

As summarised by Claudio Borio (2014b, p. 4), head of the Monetary and Economic Department, the global financial cycle refers to the process whereby 'Financial booms fuelled by aggressive risk-taking overstretch balance sheets, mask the build-up of vulnerabilities in the financial system and the real economy and sow the seeds of subsequent busts'. This cycle is best characterized by surges and collapses in credit expansion and asset prices, particularly property prices, 'as risk-taking ebbs and flows' (Borio, 2017). It is significantly longer than the business cycle, operating on the order of 15–20 years, with systemic banking crises occurring near its peak (Drehmann, Borio, & Tsatsaronis, 2012; see also, Jordá, Schularick, & Taylor, 2013). In this view, financial crises 'resemble volcanic eruptions or earthquakes: they reflect the sudden and violent release of pressure that has built up gradually over time' (Borio et al., 2014, p. 3).

The BIS identifies four main channels driving the global financial cycle, two monetary and two financial (BIS, 2015, chap. 5; Borio, 2014b). On the monetary side of the ledger, (1) because the dollar and the euro are so widely used internationally, the monetary policy of the Fed and the ECB directly affect the cost of financing around the world. Additionally, (2) other central banks, in both advanced and emerging-market economies, resist exchange-rate appreciation to these international currencies by lowering policy rates and buying US and euro-area government bonds, putting downward pressure on yields and fuelling credit and asset-price booms. Given these dynamics, 'Easy monetary conditions at the centre have led to easy monetary and financial conditions in the rest of the world' (BIS, 2015, p. 90), both before and after the GFC. On the financial side of the ledger, (1) the tight integration of financial markets sees external sources of funding amplify domestic credit booms. It also means that (2) diverse bond and equity markets move in tandem to common trends. Following the GFC, for example, central bank asset-purchase programmes in the advanced economies have depressed bond yields across the board and driven growth in equity markets. Given these dynamics, the BIS argues that the global financial system is inherently procyclical.[10]

In the BIS's estimation, this procyclicality is turbo-charged by the 'excess financial elasticity' of the international monetary and financial regime, in that financial imbalances are allowed to build up over time because there are insufficient counter-cyclical mechanisms in place constraining credit growth (BIS, 2015; Borio & Disyatat, 2011, 2015). For the bank, policymakers are primarily to blame. As Borio (2015) informed an audience at the ECB in 2015, 'this excess elasticity originates in inadequacies of domestic policy regimes, especially monetary and prudential ones', with these inadequacies amplified and intensified by their interaction through the international monetary and financial system. The claim is that policymakers have run procyclical monetary and financial policy for decades, failing to reduce the elasticity of the financial system through boom periods and then getting locked into providing accommodative monetary and financial conditions during busts, as with the GFC and the EC. In the BIS's view, this 'plight reflects, to a considerable extent, the inability of policy frameworks to come to grips with' (BIS, 2015, pp. 22-23) the realities of the global financial cycle and the conceptual and analytical foundations of what I am calling GBSC. Indeed, this conceptual and analytical failure 'has been a key reason for the unsatisfactory performance of the global economy and limited room for policy manoeuvre' (BIS, 2017, p. 19) over the post-GFC period.

[10] As noted in section 1, this conception of the international monetary and financial system is influenced by Minsky, who viewed capitalist financial systems as complex and procyclical, in which financial risk is endogenous and 'stability breeds instability'. For a critical discussion of the intellectual heritage of this element of the BIS's work, see Baker (2018).

Two fundamental problems with mainstream macro-policy *frameworks* are emphasized by the bank, both of which, it argues, explain the inability of policymakers to contain the global financial cycle. First, the international monetary and financial system consists 'of domestically focused policies in a world of global firms, currencies and capital flows' (Caruana, 2015). The 'inherent instability' of global financial markets is thus exacerbated by parochial policymaking in an age when capitalism simply *must* be managed at the global level. Second, given that the global financial cycle plays out over the course of several decades, this failure to rescale the spatial horizon of macro-policy is compounded, in the bank's estimation, by a concurrent failure to extend the temporal horizon of macro-policy from the (political) short-term to the (technocratic) medium- to long-term (Borio, 2012). As Caruana explained to an audience at Harvard University in 2014, a focus on the short-term creates

> a serious risk of exhausting the policy room for manoeuvre over time. As policymakers respond asymmetrically over successive business and financial cycles, hardly tightening or even easing during booms and easing aggressively and persistently during busts, they run out of ammunition and entrench instability (Caruana, 2014).

For the BIS, this is 'The natural bias of political systems', which 'encourage policies that buy short-term gain at the cost of risking long-term pain' (BIS, 2015, p. 13)—the 'time-inconsistency' problem dear to central bankers' hearts (see chapter 1).

In sum, the BIS has advocated for a set of significant shifts in how 21st-century capitalism is conceptualized and analysed, developing a distinct economic imaginary that I have called Global Balance-Sheet Capitalism. GBSC privileges the interlocking balance sheets of global corporations as the key objects of technical analysis and identifies the global financial cycle as a central governance problem for the international monetary and financial system. In these ways, the BIS's visualization of the open-market order as a truly global and temporally particular object of governance, and its development of a set of analytical and evaluative techniques for measuring and monitoring it, enables it to open out a program of governance, aspects and limitations of which I examine in the following section.

5: Governing Global Balance-Sheet Capitalism

If the central governance problem of GBSC is the endogenous development of the global financial cycle, how is this to be tamed? Five core macro-policy positions can be identified in the BIS's post-crash discourse. First, echoing the wider discourse surveyed in chapter 4, central banks have become 'overburdened' in the post-GFC period, with advanced economies chronically reliant on accommodative monetary policy to stimulate growth, fuelling the global financial cycle in the process. For the bank, as 'governments drag their feet and adjustment is delayed' (BIS, 2012, p. 3), the world economy has become fundamentally unbalanced and central banks have been forced to become 'policymakers of last resort' (Caruana, 2012).[11] In response, monetary policy must be normalized. Second, intrusive bank supervision and the widespread adoption of macroprudential policies are called for, which should be used to lean against the build-up of systemic financial imbalances, constraining the 'excess elasticity' of the international monetary and financial system. Third, deleveraging in the private sector is needed to enable balance-sheet repair and unlock capital for productive investment. Fourth, and crucially, a return to fiscal 'sustainability' is required to create policy 'headroom' with which to respond to the next downturn or crisis. Finally, and above all else, there is a need for productivity-boosting labour- and product-market reforms, which will set the scene for long-run prosperity.

Here, then, we see advocacy for neoliberal forms of structural adjustment through appeals for the flexibilization of labour and product markets—'There is no other way', writes the bank, 'to sustainably raise output and productivity growth and to shake off debt addiction' (BIS, 2015, p. 18)—

[11] Diagnosing post-GFC stagnation as the result of a 'balance-sheet recession', the BIS has argued that traditional demand-management policies are relatively ineffective because firms and households focus on deleveraging, undercapitalized financial firms restrict lending, there are less credit-worthy borrowers, and misallocated resources take time to be reallocated to more efficient sectors (BIS, 2015; see also, Koo, 2014).

as well as a preference for fiscal retrenchment and higher interest rates. As Carstens summarized to a group of bankers in Basel in 2019:

> from a long-run perspective, no engine is stronger or more durable than structural reforms. . . . Labour and product market reforms need to be pushed through to reinvigorate economic dynamism and reap the full benefits that new technologies offer. Efficient resource allocation – moving capital and labour from low-productivity firms and sectors to more productive ones – underpins the process of 'creative destruction' that is vital for long-run growth (Carstens, 2019a).

Moreover, such reforms must be pushed through almost regardless of circumstance: 'New shocks hitting the economy or the financial system do not fundamentally change the need for rebalancing'; indeed, 'They make the task more complex, but also more necessary' (Caruana, 2016).

However, this sits alongside the bank's advocacy for intrusive financial regulation and supervision. Moreover, in recent years the BIS's approach to fiscal policy has moved beyond a simple articulation of the kind of debt and deficit fetishism associated with the authoritarian neoliberalism of the early 2010s. For example, while it has consistently argued for fiscal retrenchment in countries with high sovereign-debt burdens, this has been balanced by calls in recent years for a more fiscally active state to relieve pressure on overburdened central banks (BIS, 2019, 2020), a development echoed in the policy recommendations of other central banks and international policy organizations (see chapter 4). Strikingly, with the outbreak of the pandemic, the BIS has also cautiously given its blessing to fiscal–monetary policy coordination and acknowledged that central bank asset purchases can have the effect of smoothing 'the path for government finances' (Carstens, 2020b).[12] While the bank is careful to outline numerous caveats here and to emphasize that such action 'should only be a

[12] By contrast, in 2011 the bank was arguing that 'Central banks must guard against even the hint that they are using monetary easing as an excuse to monetise public debt' (BIS, 2011, p. 13).

temporary expedient' (Carstens, 2020b), this is a significant development, as the monetary financing of fiscal expenditure has been totally off limits since the neoliberal turn.[13]

Beyond these core policy positions, the BIS has advocated for a more fundamental shift in macro-policy frameworks, arguing that policymakers must come to grips with GBSC as an *object of governance* and thus rethink common conceptual, analytical, and measurement practices. This means making a formal shift in macro-policy frameworks, away from responding to day-to-day developments in financial markets and oriented towards building 'system resilience' over the long term (BIS, 2017, p. 17). Here, the achievement of lasting macrofinancial and macroeconomic stability is posited as the key to the political longevity of financial globalization and the construction of system resilience is proposed as the means by which this can be realized.[14]

Speaking to an audience at the European Central Bank in early 2010, Caruana (2010) observed an important conundrum of global governance: 'Today, financial stability is a global concern, even though the instability confronts policymakers nationally'. While this may encourage policymakers to attempt to insulate their domestic economy from global instability—by imposing capital controls, for example—for the bank, given the realities of financial globalization 'No individual economy is safe unless the global economy is safe' (Caruana, 2011a). And so, 'Only with a *global* framework will it be

[13] The BIS plays a careful game here. For example, speaking to the National Association for Business Economics in July 2020, Borio argued that 'Monetary and fiscal policies have rightly been coordinated closely during the crisis', but was careful to hedge this claim, noting that 'The meaningful economic dividing line between monetary and non-monetary financing has to do with who is in control and the reasons for the actions taken. As long as central banks are in control of what they do, and what they do is in line with their mandates, the issue of monetary financing is not particularly relevant: it is more rhetoric than substance' (Borio, 2020). Indeed, as discussed in chapter 3, QE serves different purposes in different conditions and the QE programs launched during the March/April 2020 financial panic were principally oriented towards stabilizing collateral markets, not financing government debt.

[14] As the bank puts it: 'Resilience, broadly defined, means more than just the capacity to withstand unforeseen developments or "shocks". It also means reducing the likelihood that shocks will materialise in the first place, by limiting policy uncertainty and the build-up of vulnerabilities, such as those stemming from financial imbalances. And it means increasing the economy's adaptability to long-term trends, such as those linked to ageing populations, slowing productivity, technology or globalisation' (BIS, 2017, p. 17).

possible to both preserve the benefits of financial integration and manage the associated risks in a consistent way' (Caruana, 2010). What is needed, then, is a shift in domestic policymakers' spatial horizon from the national to the international. For central banks, particularly the ECB and the Fed, this means taking into account the international effects of their policies (Caruana, 2015). Wide-ranging cooperation and data-sharing in financial regulation is also needed. As the 2011 Annual Report argues, it is necessary to formulate 'an international data-sharing framework' that provides regulatory authorities with 'a common view of the balance sheet positions of the largest global financial institutions', aiding in both crisis prevention and crisis management (BIS, 2011, p. 83).

Table 5.2. Global governance for system resilience.

Conceptual and analytical shift to GBSC	
Governance principles	**Policy positions**
• Expansion of spatial horizon of policymakers from national to international • Extension of temporal horizon of policymakers from political short-term to technocratic medium-/long-term • Balanced and symmetrical policy • Prudent governance to build policy space • Prescient governance to anticipate threats • Data-intensive governance for enhanced surveillance • Innovative and adaptive governance to keep pace with private-market dynamism • Insulation of macro-policy from politics	• Monetary policy normalization • Global extension of macroprudential policy • Intrusive bank supervision • Private-sector deleveraging, aided by government • Fiscal consolidation to build policy space • Targeted fiscal stimulus, e.g., in healthcare • Flexibilization of labour and product markets

Sources: BIS annual reports, management speeches, and working papers, 2000–2020.

Fostering international cooperation and global financial governance has been a primary concern of the BIS since its founding, and has already received attention in the critical literature (Ozgercin, 2012). As such, in the remainder of this section I turn instead to the second fundamental shift in macro-policy frameworks advocated for by the bank: the rescaling of policymakers' temporal horizon from the political short-term to the technocratic medium- to long-term. An overview of the bank's broader set of governance prescriptions is presented in Table 5.2.

5.1: Lengthening temporal horizons

As discussed above, the global financial cycle operates on the order of 15–20 years, lasting roughly twice as long as the business cycle. As the BIS puts it, then, 'the economic developments that *really* matter now take much longer to unfold' (BIS, 2015, p. 23). But, as Borio noted to a university audience in Munich, 'the planning horizons of market participants and policymakers have not adjusted accordingly – indeed, if anything, they have shrunk. This is a critical reason why the current problems have arisen and why it has proved so hard to solve them' (Borio, 2012). The remedy 'is to lengthen policy horizons' and develop a more 'balanced and symmetrical' policy framework for constraining the build-up of financial vulnerabilities and the global financial cycle under GBSC: authorities should 'lean more deliberately against financial booms and less aggressively and, above all, less persistently against financial busts' (BIS, 2016, p. 17). Crucially, taking this far-sighted approach to managing the global financial cycle means removing decision-making on issues of financial stability from political influence, with the BIS calling 'for governance arrangements that effectively insulate policymakers from the huge political economy pressures that induce asymmetric policies' (Caruana, 2014). Financial-stability policy should, like monetary policy, be the terrain of technical experts who are deaf to the siren song of the body politic (see chapter 1). As Caruana argued in 2011, speaking at the South African Reserve Bank as part of the BIS's sustained drive for the adoption of the macroprudential framework:

> The well known arguments for central bank independence in the context of price stability apply with even greater force in the context of financial stability. We are all familiar with the political pressure not to take away the punchbowl when the party gets going during inflationary economic phases. But these pressures are surely even stronger when financial booms get going. While there are constituencies

> against inflation, only brave souls will raise their voices against the illusion that everybody's getting richer (2011b).

However, the BIS's technocratic vision extends well beyond financial and monetary policy. More broadly, it implores policymakers 'to ensure the build-up of buffers in the boom phase of the financial cycle so as to draw them down in the bust phase' (Borio, 2012). The GFC and the EC dramatically reduced the perceived 'policy space' of central banks and fiscal authorities, with interest rates at or near zero and large sovereign-debt burdens accumulating throughout the advanced economies. Thus, from an early stage, the bank has stressed that a priority is to regain 'the ability to react to economic and financial crises' (BIS, 2010, p. 20) by accumulating policy buffers or 'firepower'; policy space necessarily equals system resilience and so must be diligently accumulated.

As noted above, normalizing monetary policy has been a major plank of the BIS's post-GFC policy platform. In addition to relieving pressure on 'overburdened' central banks and imposing welcome discipline on government spending, it is argued that raising interest rates and unwinding central bank balance sheets would provide policymakers with a prudent buffer for the next crisis. For fiscal policy, the conclusion is equally simple: 'Fiscal policy should aim at maintaining a very low level of debt during normal times so that governments are ready for the next, inevitable shocks' (Caruana, 2011a). Governments must 'accumulate budget surpluses in good times' so that they 'provide themselves with ample capacity to address a financial crisis without jeopardising fiscal sustainability and, indeed, financial stability' (Caruana, 2011b).

While the bank's position has been moderated somewhat in recent years, moving in tandem with the wider acceptance of higher government debt in elite economic policy circles (e.g., Blanchard, Leandro, & Zettelmeyer, 2021; Blanchard & Summers, 2019; IMF, 2019; OECD, 2019; Orszag, Rubin, & Stiglitz, 2021), its essential obsession with accumulating policy space has remained constant. The BIS's view on both monetary and fiscal policy and how to use them is here directly related to its identification of the global financial cycle: it is about factoring in the financial cycle and building up ‘buffers during good times that can be drawn down to provide support in bad times’ (Caruana, 2013). Indeed, while the bank recognises that the Bretton Woods era was relatively free of financial crises and that financial deregulation since the 1980s is what has driven the re-emergence of the global financial cycle, in a world of freely flowing capital financial crises are inevitable facts of life. In this respect, the inevitability of financial turmoil and crisis is a further defining feature of GBSC as an economic imaginary.

It should be stressed that the bank’s primary justification for consolidating fiscal positions and normalizing monetary policy—while sometimes invoking the need to discipline policymakers and market actors—is the necessity of being prepared for the next inevitable crisis. This is *not* the typical neoliberal argument that government spending crowds out private capital and misallocates resources. Indeed, for the BIS, fiscal policy and public debt are indispensable tools, but the key is to know when and how to use them. The bank is not articulating a punitive form of neoliberal austerity (see chapter 4), but rather a *positive* vision of a resilient global economy in which the primary role of macro-policy is to smooth the effects of exogenous and endogenous shocks, providing a relatively safe corridor through which the liberalized economy can travel. In this imaginary, the state should, in the BIS’s words, act as ‘an insurance company’ (BIS, 2011, p. 11), drawing down fiscal buffers in a crisis and studiously reloading them when times are good. This is, to be sure, a radically depoliticizing vision that at once normalizes financial crises as inevitable (Knafo, 2020, p. 90) and seeks to assure policymakers that with the right approach—the ‘derisking’ of private finance (Gabor, 2020)—the system can be made sufficiently resilient so as to withstand them. But it is nevertheless a positive vision of what a resilient global economy would look like under GBSC.

But a curious ideological aspect of the bank’s approach here is that far-sighted managers have no concrete points of reference for what constitutes sufficient policy space. This can be illustrated through reference to the issue of government debt. For the BIS, the state, as ‘the ultimate backstop for the financial system and the economy’ (Borio, 2012), must maintain its creditworthiness. As Caruana (2011a) informed his audience at the bank’s 2011 AGM, ‘The default of the sovereign breaks the social contract and undermines the trust that is essential to the smooth running of both the state and the economy'. But the difficulty comes in determining what constitutes a creditworthy sovereign and, in turn, how much 'room for manoeuvre' (Caruana, 2016) one needs. Here, we enter the obscure terrain of divining the will and intentions of 'the market'. As Campbell Jones (2011, p. 132) argues, a pervasive feature of financialized capitalism is the personification of the market as a kind of master that is complete 'with a will, needs, desires and intentions, even the power of speech'. Financiers, analysts, technocrats, and citizens must all attune their ears so as to pick up the vibrations of this master and act according to its will. But as Jones (2012, p. 41) notes, while 'The market can speak . . . it is mysterious speech in need of deciphering, and this is why it requires others to comprehend its speech on its behalf'. As a collective organic intellectual of finance capital, the BIS is one such 'interpreter' of the market. But when it comes to defining what counts as sufficient policy 'space' or fiscal 'firepower', the bank prefers to stress the unknowability of the market's judgement: 'either you enjoy the confidence of the markets or you don't. Therefore, a loss of confidence in the ability and willingness of a sovereign to repay its debt is . . . characterised by a sudden change in sentiment' (BIS, 2011, p. 10). In such a presentation, it is unclear exactly why the market loses confidence in us, but when it does, the change is 'swift and painful' (Caruana, 2011a). We struggle to understand why this master decides to punish us, what sends it into a fit of rage, but we can be sure that we will suffer violence at its hands if we are not careful.

But not only is it difficult to divine the will of the market, or to predict its judgement, the market is also a fallible master, prone to making mistakes and overreacting. As one openly contradictory passage in the 2012 Annual Report reads:

> Financial markets can both help and hinder the return to fiscal sustainability. On the one hand, market discipline can provide incentives for fiscal consolidation. On the other, financial markets can remain complacent about fiscal problems for too long and react too late. Policymakers should therefore not wait for market signals to emerge in order to engage in fiscal consolidation (BIS, 2012, p. 61).

In this view, financial markets at once enhance fiscal discipline but simultaneously fail to provide it; the market 'speaks' (Jones, 2012), but it does not always have sensible things to say. As a consequence, what constitutes sufficient fiscal policy space is never definable; the only sensible course of action is to pre-empt the market, to continually accumulate precautionary buffers in the hope that one will be able to weather the coming storm. In this way, the BIS's desired policy framework is a prime example of John Patrick Leary's (2018, p. 150) insight that 'resilience'—a keyword of contemporary capitalism—'is a receding horizon, and the work of building it can never end'. The continual, precautionary accumulation of policy space is like the accumulation of capital itself: a process with no end. Thus, managing GBSC 'properly' means accepting the inevitability of financial crises and reorienting macro-policy towards the continual accumulation of resilience, *not* the achievement of concrete economic or social outcomes, which are almost entirely absent from the BIS's discourse.

5.2: Prescient governance and continuous revolution

Beyond the necessity of lengthening the temporal horizons of macro-policy, to govern GBSC 'properly' also means integrating principles of risk management into policymakers' approach to the future. In his analysis of contemporary technocratic ideology, Anders Esmark (2017) highlights the centrality of risk management as an organizing principle. While the technocratic ideology of the early and mid-20th century was characterized by the search for definitive solutions to policy problems (F. Fischer, 1990), in post-modernity it has become one of constant self-reflexive policy innovation and adjustment. For Esmark (2017, p. 509), risk management has replaced the 'assertive belief in mechanical control' characteristic of technocratic movements of the 20th century 'with a more reactive and defensive idea of adaptation in the face of risk and uncertainty'. Risk-management culture thus conjures a state of constant anticipation and awareness in governance institutions—'a state of perpetual threat' to the social system—and asserts that resilience 'can only be ensured through continuous change and transformation' (Esmark, 2017, p. 509).[15]

The economic imaginary of Global Balance-Sheet Capitalism provides an interesting case study in this logic. The bank implores policymakers to constantly scan the horizon for new, potentially threatening economic developments or potentially useful technological innovations, and to continuously expand surveillance of the financial system and adapt policy to the dynamic realities of GBSC, all in the service of building system resilience. In a speech entitled 'Central Bankers of the Future', delivered to officials at the Bundesbank, Carstens (2020a) framed it like this: 'to avoid surprises, you need to know what the future will hold'. Such an approach to the future applies with force in the new world of digital financial innovation, which requires the continuous adaptation of data-collection practices, among other things. As Benoît Cœuré (2020), formerly of the ECB and now head of the BIS's Innovation Hub, told his audience at the world fintech festival in Switzerland in 2020, 'Central banks are open to new ideas – and they are not planning on being overtaken by events'.

To not be overtaken by events means making judicious use of new technologies themselves. In his speech to the Bundesbank, for example, Carstens (2020a) outlined an astounding vision of real-time financial surveillance, drawing on the promise of Big Data:

> What we need is a technology that can smoothly handle millions of messages and analyse these accurately in real time, but still be flexible and scalable enough to deal with diverse inputs and changes in the markets. . . . We are building an open-source code to develop a monitoring tool for central banks. A tool that will pull millions of messages from multiple trading venues but can also scale to higher speeds. We plan to test it in volatile markets requiring 7 million updates an hour – that is almost 2,000

[15] Esmark also discusses the centrality of connective governance and performance management in modern technocracy. The former refers to the centrality of informational flows in modern governance and is guided by values of openness and cooperation in information sharing; the latter stresses the importance of institutional reflection, learning, and endless policy improvement, something to be achieved through audit culture. Both logics are clearly articulated in the BIS's output.

> every second. This is what it will take to alert central banks to market dislocations, liquidity issues and volatility in real time.

Such a vision of total surveillance is worlds away from the faith in Hayekian obscurity that characterized the pre-GFC period. As Erturk (2017, p. 380) notes, the development of intensive new surveillance systems for global finance such as that mooted by Carstens is motivated by the post-GFC 'fear of experiencing in the future another catastrophic systemic risk' event. Strikingly, the BIS's desire for total knowability in this area conflicts markedly with its invocation of the *un*knowability of the market's judgement on the issue of a sovereign's creditworthiness, discussed in the previous subsection. It is panoptic-like surveillance on the one hand—the development of network infrastructures capable of adapting 'to the real-time dynamics of network evolution' (Cooper, 2011, p. 379)—and Hayekian obscurity on the other—precautionary fiscal prudence as guarantor of the state's solvency in the face of market unknowability. Moreover, the development of real-time financial-surveillance technologies raises questions about the continued superiority of the market as an organizational tool in the first place. If we can visualise the market in real time, why not resurrect the project of the planned economy (Jones, 2020)? Why continue to rely on the market if it is no longer the most efficient technology for allocating resources? The bank, speaking to audiences that are sympathetic to the project of financial globalization, can comfortably avoid such considerations. Indeed, there is a strong faith-based dimension to this discourse, with continued invocations of the open-market order's capacity to raise standards of living and drive economic dynamism made without recourse to evidence that would corroborate such claims.

Also reflective of this logic of prescient governance, the BIS has devoted considerable effort to promoting the development of central bank digital currencies (CBDC) as an answer to the emergence of stablecoins and Big Tech in finance.[16] CBDCs are viewed by the bank as yet another

[16] A CBDC is a digital form of cash, issued by a central bank in a national unit of account. Stablecoins, issued by fintech firms, are digital tokens that are usually backed by a basket of fiat currencies.

means of deepening financial globalization by 'support[ing] greater efficiency and cross-border integration' in international payments (BIS, 2020, p. 90). Here, central banks should 'be a force promoting international policy coordination, supporting not just domestic payment systems, but, above all, their cross-border integration' (BIS, 2020, p. 90). And crucially, it is independent technocrats, not elected representatives, that are best placed to assess the potential benefits and costs to the public good of such technologies. Speaking to the Financial Stability Institute in 2019, for example, Carstens (2019b) argued that:

> technological developments have, if anything, strengthened the case for the independence of central banks and supervisory authorities. Promoting technology may pay off in the short term, as it typically delivers clear benefits in the form of better and more affordable services, while its risks may only materialise after some time, and possibly with low probability, albeit with a great adverse impact. Accordingly, independent regulators could be in a better position to take time-consistent actions, and pay due attention to different scenarios – and not only to the most likely ones – to ensure that new technologies develop in an orderly way without undermining financial stability.

In this presentation, it is far-sighted technocrats who are best able to discern the risk–reward profile of new technologies and to make a sound judgement on the potential value or threat they pose to the common good, not elected representatives, who are prey to the electoral cycle and the braying of ignorant and self-interested publics.

In these respects, 'properly' governing GBSC is not only about matching the temporal horizon of policymakers to that of the global financial cycle, but also about gazing into the crystal-ball of the future and keeping up with the rapid pace of transformation in the private sector. A resilient system is to be achieved through a never-ending process of change and transformation, a continuous revolution in data collection, analytical frameworks, monitoring practices, and blue-skies thinking, all of which are 'thought to ensure economic abundance, social peace, and strong government' (Esmark, 2017, p. 511). However, in the BIS's estimation, despite their best efforts, policymakers will never be able to eradicate financial crises, which are a fact of life in a liberalized economic system. Thus, 'Where prescience fails, resilience has to make up for it' (da Silva & von Peter, 2018), a position which brings us back to the receding horizon of obsessively accumulating policy 'space'. Here, then, the fetishization of continuous innovation in policy is linked to the reduction of policy to process. Absent a set of normative political values and ideals (Baker, 2018)—other than the weakly utopic 'global economic stability' or 'system resilience'—the bank invokes a set of receding horizons: policymakers could always be more provident and innovative, policymaking could always use more data, the international monetary and financial system could always be more coordinated, states could always be more cooperative. In this way, the bank conjures the fantasy of lasting global economic stability in a world of liberalized capital flows and inevitable crisis, this stability to be achieved through fidelity to a set of principles of 'good' economic governance. While many of the principles underpinning the BIS's vision of 'good' economic governance are laudable, then, the project they are to serve remains desperately limited.

Chapter Summary

Borio, speaking on the topic of 'Central Banking in Challenging Times' to a group of financiers and central bankers in Milan in 2019, evoked the collapse of the liberal international order in the 1930s as a cautionary tale:

> Then, as now, a phase of seemingly never-ending prosperity paved the way for a deep slump – the roaring twenties ushered in the Great Depression just as the Great Moderation ushered in the Great Recession. Then, as now, a credit boom that ended badly led to a financial crisis. Then, as now, intellectual convictions crumbled along with the economy (Borio, 2019).

Conceptualizing the BIS as a collective organic intellectual of and for finance capital—an organization which provides elites with intellectual and moral leadership, indispensable technical tools, and conceptual and analytical frameworks through which to understand modern capitalism—I have examined how the bank has sought to maintain the hegemony of financial globalization in the context of this increasingly fractured and unstable political-economic landscape following the financial crisis of 2007–2009. Specifically, I have explored the bank's role as a collective organic intellectual by tracing out its development of the novel economic imaginary of Global Balance-Sheet Capitalism, showing how this way of visualizing 21^{st}-century capitalism as a global, temporally peculiar object of governance opens out onto the development of a distinctive policy framework for its 'proper' management.

In critically delineating GBSC, I have provided a case study of one notable attempt at (re)constructing 'the economy' as a 'world' amenable to particular forms of technocratic management and have contextualized this intellectual labour as a response to the repoliticization of economic life and elite epistemological disorientation following the financial crisis. Building from this, I have emphasized the importance of paying attention to the ideological investments, contradictions, and limitations of these world-building projects of financial elites. In turn, subjecting the BIS's intellectual labour to ideology critique has shed further light on the continued interaction between, and evolution of, neoliberal and technocratic ideologies in the space of central banking. There is little evidence that the organic crisis of Western capitalism through which we are living is nearing a resolution any time soon, and so we can expect continued ideational and ideological evolution and turmoil among elites, and an ongoing need for critical social-scientific investigation in this space.

CONCLUSION: TECHNOCRACY FOREVER?

. . . the politics of crisis management are always untenable.

— *Timothy Geithner, former President of the Federal Reserve Bank of New York and former US Secretary of the Treasury (2014, p. 505).*

In this thesis, I have examined the institutional and ideological evolution of technocratic forms of economic governance from the onset of the Great Financial Crisis (GFC) of 2007–2009 to the first year of the Covid-19 pandemic. I have pursued two main lines of investigation. First, I have sought to theorize the evolving role and expanding power of major central banks within the context of a comprehensive crisis of Western capitalism. Second, I have critically interrogated how central bankers themselves have responded to the intellectual and ideological disorientation catalysed by, and intensifying since, the credit crash. In this concluding chapter, I briefly retrace my key arguments and contributions to knowledge before considering some of the political lessons that socialists might draw from the analysis.

1: Contributions to Knowledge

In the introductory chapter, I argued that the rise of neoliberalism over the past four decades has pivoted around the development of institutions and ideologies of *technocratic economic governance*—i.e., the discursive depoliticization of economic policy, the rise of the 'politics of responsible management', and the insulation of economic decision-making from mass politics via its delegation to independent experts and the development of rules-based policy. Ideologically, technocratic economic governance reached its apotheosis in the late 1990s and early 2000s, which was a period of consolidation for neoliberalism as a hegemonic project. However, the largely unanticipated rupture of the GFC spelled an end to this period of relative economic, political, and ideological tranquillity in the West. If the 1990s and early 2000s were glory years for neoliberalism, characterized in part by a broad political consensus around how 'the economy' should be managed and who should do the managing, the decade following the GFC has been one in which these issues have been fiercely repoliticized. But at the same time, this period has been marked by the increasing power and importance of certain institutions of technocratic economic governance, particularly independent central banks.

To develop a conceptual framework through which to think this period of continuity and transformation in post-GFC neoliberalism, I drew on the crisis-theory of Antonio Gramsci and the subsequent development of his ideas by neo-Gramscian scholars. Side-stepping the question of whether or not we have been witnessing neoliberalism's slow death or inexorable onward march in the years since the credit crash, I argued that it is more fruitful to conceptualize this period as one of *organic crisis* in Western democracies. This concept describes 'comprehensive' crises of hegemony, in which structurally rooted socio-economic contradictions are no longer able to be contained by the hegemonic bloc. Organic crises are distinct historical periods (Stahl, 2019), which may or may not be resolved through the formation of a new hegemony; they are periods of hegemonic disorder marked by the erosion of 'common sense' around how society should be ordered and administrated, disorganization and dissensus within the elite, and the proliferation of novel political-ideological formations. I argued that this is a useful way to conceptualize the post-GFC period in the West, and it is within this conceptual terrain that I situated my analysis of technocratic economic governance in the subsequent chapters.

In the first substantive chapter of the thesis, I sought to get a bearing on central banks as institutions and to examine whose interests they serve. Drawing on the critical literature on the hybridity of capitalist finance, I showed that modern central banks are characterized by two fundamental dualities: (1) they act as both the 'bank of the state' and the 'bank of the banks'; and (2) they are both 'regulators of' and 'participants in' private financial markets (Braun, 2020b). I therefore argued that modern central banks should be conceptualized as *public–private governors*, institutions that stand 'between' state and market and work to stabilize capitalist structures of finance in the interests of both. If modern central banks are public–private governors, I argued, then they are deeply tied not just to the state apparatus but also to finance capital as a class. To substantiate this idea, I drew on Nicos Poulantzas's and Bob Jessop's sociology of the capitalist state to examine how the neoliberal and technocratic convention of central bank independence (CBI) works in theory and practice. In highlighting the deep interconnections between central banks and private finance, I argued that the formally independent central banks of the neoliberal era work to reproduce a strategically biased terrain that favours the advancement of the interests of finance capital. In this respect, I argued, inasmuch as they are public–private governors, subject to a set of competing demands and burdened with a set of sometimes conflictual governance tasks, central banks can nevertheless be conceptualized as *power centres* of finance capital. Conceptualized in this way, I argued, central banks can be viewed as crucial institutions in the attempted (re)production of neoliberal hegemony and the maintenance of political-economic stability over the period 2007–2020 (and beyond). Subsequent chapters sought to substantiate this claim.

To provide the political-economic context, in chapter 2 I examined the terrain in which these power centres of finance capital have intervened since 2007. Here, I provided a narrative overview of the GFC, the related Eurozone Crisis (EC) of 2009–2015, and the Covid-19-induced financial panic of March/April 2020, and reviewed a wide range of scholarly literature on the proximate and structural causes of these crises. I argued that, while spatially particular and uneven in their causes and effects, these crises should be understood to be deeply rooted in the political-economic and institutional fabric of neoliberal financial capitalism—that is, as organic developments of this (variegated) regime. In this respect, I set the scene for an analysis of the critical role of central banks in stabilizing and (re)producing neoliberal financial capitalism over the past decade.

As scholars have shown, the great ruptures of the GFC, the EC, and the Covid-19 pandemic, and the repoliticization of economic life that has accompanied these crises, have been met with an intensification of neoliberalism's authoritarian tendencies—authoritarianism conceptualized not just as the use of coercive force, but as the increasing insulation of government and governance from democratic dissent. That is, the repoliticization of the economy and its management following the GFC has been met with a doubling down on forms of technocratic economic governance in many Western democracies. In chapter 3, I sought to contribute to this literature on the rise of authoritarian neoliberalism by examining the critical role of emergency central bank intervention to this form of economic governance. Using the Federal Reserve System (Fed) and the European Central Bank (ECB) as illustrative case studies, and drawing on both primary resources and the extant critical political economy literature, I provided a synthetic analysis of the key emergency interventions that have been developed and deployed by the major central banks over this period to stabilize crisis-prone financial markets.

Here, I showed how the experiences of the GFC, the Eurozone Crisis, and above all the Covid-19 financial panic have been met by a form of sovereign power capable of responding effectively to the spatial compression and temporal acceleration engendered by financial globalization and global financialization. While the more democratic institutions of the state struggle to match the spatio-temporality of finance capital, due to their structural location 'between' state and market, their insulation from political pressure, and their possession of critical technical proficiencies, central banks have thus far proven capable of responding relatively effectively to the sudden, unforeseen ruptures that characterize contemporary capitalism. Indeed, this is a system that critically *relies upon* the emergency decision-making capacities of such 'unelected power' (Tucker, 2018) if it is to survive. In this way, I argued, the 'derisking' central bank (Gabor, 2020) is a key component of authoritarian neoliberalism as a form of post-GFC economic governance.

While my analysis—and much other research—has focused on the major central banks of the capitalist core, further research is required on the development of central bank power in peripheral and semi-peripheral economies. For example, in my own country, the Reserve Bank of New Zealand (RBNZ) was linked into the global swap network in both 2008 and 2020 and set up a number of emergency liquidity facilities in both crises, launched a large-scale asset-purchase programme in March 2020 in response to the global economic shutdown, and has experimented with macroprudential policy over the past decade. The specific political-economic causes and effects of these actions of the RBNZ, however, remain understudied, as does the transmission of ideas about emergency interventions and unconventional central bank policy from core to periphery.

While largely successful in stabilizing financial markets, the extraordinary interventions of central banks over this period have also fuelled socially destabilizing asset- and equity-market inflation and generated political blowback, threatening the institution of CBI. In chapters 4 and 5, I therefore turned to examine how central bankers have responded intellectually and ideologically to the repoliticization of the economy and its management. Drawing on Gramsci again, I argued that central bankers play a social role as *organic intellectuals* of and for finance capital. That is, central bankers are both technical specialists and political operatives, organically connected to finance capital as a class fraction, who produce authoritative accounts of how monetary and financial systems work and seek to galvanize action among elites on particular political-economic issues.

To substantiate this conceptualization of central bankers, in chapter 4 I examined a large corpus of speeches from high-ranking officials at the Fed and the ECB over the years 2009–2020—that is, from the direct aftermath of the GFC to the first year of the Covid-19 pandemic. Focusing on how these central bankers have framed and sought to make sense of the repoliticization of the economy and their place in it, I delineated and critically interrogated the emergence of three key ideological discourses. First, I identified the condensation of a *climate of fear* in central banking (and beyond), driven by the intellectual and ideological uncertainty catalysed by the credit crash and the perception that repoliticization is driving the (neo)liberal, rules-based world order apart and threatening the demise of CBI. Second, in response to the threats associated with repoliticization, I argued, there has been an intensification of reactionary *authoritarian neoliberalism*, a discourse that was particularly dominant in the years immediately after the GFC and over the course of the EC. In this discourse, fiscal austerity, (neoliberal) structural adjustment, and the fortification of the rules-based, technocratically administered global order are advocated for as means of foreclosing democratic contestation and thus ensuring rational economic management and development. In this respect, building on the discussion in chapter 3, I showed how central bankers have responded to repoliticization by attempting to insulate economic governance more effectively from mass politics. However, in recent years, I argued, the discourse of authoritarian neoliberalism has increasingly given way to that of *stakeholder capitalism*. Stakeholder capitalism is both a response to years of popular discontent with austerity and the result of elites' slow realization that existing approaches to macroeconomic governance are increasingly ill-suited to the post-GFC world. Thus, exponents of stakeholder capitalism have begun to promote a more 'inclusive' capitalism, calling for a more fiscally active state, for targeted policy fixes to address systemic inequalities, under-employment, and the climate crisis, for the 'greening' of finance, and even for consensual democratic renewal in some areas. In these respects, I argued, stakeholder capitalism is a discourse that seeks to neutralize the repoliticization of the economy by softening some of the harder edges of the neoliberal order and by rebuilding an ideological consensus.

By focusing my analysis on the broader ideological narratives that are deployed by central bankers, and contextualizing the development of these narratives within the context of organic crisis, chapter 4 shed light both on the social role of central bankers as organic intellectuals of and for finance capital and the evolution of neoliberal and technocratic worldviews over the past decade. Chapter 5 took this analysis further, zeroing-in on the case of the Bank for International Settlements (BIS) and its reconceptualization of the global economy in the years after the GFC. Conceptualizing the BIS as a *collective* organic intellectual of and for finance capital, I examined a corpus of annual reports, working papers, and speeches from the bank's management from the years 2000–2020 to trace out the development of economic ideas therein. Mobilizing Bob Jessop's concept of 'economic imaginaries', I argued that the BIS has developed and advocated for a fundamental transformation in how the global financial system is visualized and understood following the GFC, developing a unique economic imaginary that I have called *Global Balance-Sheet Capitalism* (GBSC).

I argued that the development of this economic imaginary should be understood in the context of the repoliticization of 'the economy' and its management following the GFC, the climate of fear that has developed in central banking (and beyond) as a result, and the BIS's continued investment in financial globalization as a political project. From the BIS's perspective, if financial globalization can be properly understood, then it can be properly managed. Identifying the key conceptual and analytical focal points of GBSC, I showed how the BIS's construction of global finance as an object of governance enables it to forward a set of prescriptions for how it should be governed. Building from this, I critically examined the ideological investments, contradictions, and limitations of this elite 'world-building' project. While there is much of value in the BIS's conceptual and analytical schema, I argued, the bank's prescriptions for the 'proper' management of GBSC remain oriented to, and limited by, a deep ideological investment in financial globalization and a set of fetishistic attachments to technocratic ideals of governance, in which the thin social good of system resilience becomes an ever-receding horizon. In subjecting the BIS's intellectual labour to ideology critique, I therefore shed further light on the continued interaction between, and evolution of, neoliberal and technocratic ideologies in the post-GFC era.

In this thesis, I have only explored a few corners of the wider intellectual and organizational ecosystem of finance capital. Other work, for example, could examine ideological and ideational evolution at the popular mouthpieces of finance capital such as the *Economist* (see, e.g., Zevin, 2019), the *Financial Time*s, and the *Wall Street Journal*, or among consortiums of capital such as the World Economic Forum and the European Financial Services Round Table. Such explorations of elite imaginaries of global capitalism are analytically and politically illuminating, helping us to better understand the contemporary political economy of hegemonic turmoil and rapid ideational evolution, to interpret the changing discursive and operational modes of neoliberalism as a (variegated) ideology and form of economic governance, and to identify emergent points of contestation.

Four core issues strike me as particularly ripe for further scholarly investigation. First, in the world of high finance the discourse of stakeholder capitalism is ascendant. Indeed, in his 2022 letter to CEOs, published just as I was finishing this thesis, Larry Fink of BlackRock explicitly endorsed the concept, equating stakeholder capitalism with *capitalism as such* and announcing that his firm was planning to launch a 'Center for Stakeholder Capitalism' in the near future.[1] Second, with geopolitical competition between the US and China intensifying, and the Covid-19 pandemic appearing to expedite a shift to a more protectionist, fractured, and unstable global order, the intellectual and organizational ecosystem of finance capital likely faces a period of intensive ideological struggle to maintain open markets. Third, the development of new financial technologies and the recent incursions of giant technology corporations into the financial-services sector pose significant threats to the profitability of the traditional banking sector and also to the monetary sovereignty of central banks. Indeed, many central banks are preparing to launch so-called central bank digital currencies in an attempt to outflank Big Tech. The next decade will likely be characterized by major battles in this area, and the policies pursued by central banks will have a significant impact on the outcomes. Fourth, and most dramatically of all, with the climate crisis accelerating finance capital has begun to wage a war of position for control over how to transition to net-zero, its principal opponents being climate-justice movements and advocates of the Green New Deal. The outcome of this war will have significant consequences for the future of the planet and the stability of global society. Further critical social-scientific scrutiny is needed across all of these spaces.

Further work is also needed to develop upon the idea that central bankers perform a social role as organic intellectuals of and for finance capital. While my analysis clearly showed that central bankers engage in quite strident intellectual and moral leadership on a range of social and economic issues—many of which, it should be noted, are not directly within their mandate to comment on—my analysis did not examine how causally efficacious this leadership is. That is, central bankers certainly proselytize, but it is not necessarily clear who is converted, and under what conditions. Here, a rich comparative research agenda could be developed to examine differences in intellectual and moral

[1] Here, in response to critiques from American conservatives that BlackRock was ceding ground to progressive demands, Fink stressed that stakeholder capitalism 'is not a social or ideological agenda. It is not "woke". *It is capitalism*, driven by mutually beneficial relationships between you [CEOs] and the employees, customers, suppliers, and communities your company relies on to prosper': Larry Fink, 'Larry Fink's 2022 letter to CEOs: The power of capitalism', https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

leadership between central banks, both in the capitalist core and in peripheral and semi-peripheral economies, and how and why economic ideas and ideologies develop within, and are disseminated from, these institutions. Methodologically, such work would benefit from going beyond the documentary analysis that I performed in this thesis to incorporate elite interviews with central bankers, other economic policymakers, and market participants as well as social network analysis.

2: Political Implications

Having recapitulated the central contributions of the thesis, I want to close with some reflections on what I think is an important political and strategic issue for socialists to confront in the 21st century. While I have been highly critical in this thesis of the development of technocratic economic governance over the neoliberal era, arguing that central banks have been instrumental in (re)producing a socially and politically destructive socio-economic system, an alternative story can be told. This is the story of clear-eyed technocrats finding creative solutions in moments of crisis to stave off even more destructive economic disasters. As I discussed in chapter 4, this narrative has been deployed by central bankers themselves. We also find such a reading in the work of prominent historian Adam Tooze, whose histories of the GFC, the EC, and the pandemic I have referred to throughout this thesis and whose politics, while ultimately at odds with my own, I find very intellectually productive. Tooze does not endorse such a reading uncritically, but he does foreground the historical agency of the 'technocratic imagination' in his narratives—the capacity of elite policymakers to respond creatively to emergent crises, to avert disaster and maintain stability in the wider social order by doing, to quote Mario Draghi, 'whatever it takes'. Tooze's exemplars are none other than the central banks and central bankers who orchestrated the rescue of the American, European, and global financial systems in 2008, 2012, and 2020.

For Tooze, in an historical terrain characterized by the lack of any organized anti-systemic challenge to capital, a terrain in which the prospects for radical reform, let alone revolution, appear grim (Tooze, 2021, p. 301), the best we can hope for is 'pragmatic crisis management in the form of punctual adjustments without illusions of permanency'. This is a form of ad hoc emergency governance that resembles a 'nightmare tightrope . . . with no end'.[2] The great promise here—or rather, the last hope—is the technocratic imagination. For Tooze, while it 'may lack the grandeur or ambition of transformative politics', it is not 'without historical consciousness or consequence. It is the choice between the third- and fourth-best options, and as such, it really matters' (Tooze, 2021, p. 302).

Tooze's faith in the power of the technocratic imagination is rooted in the Keynesian *Weltanschauung*. This is a political worldview that recognizes the self-destructive tendencies of capitalism are ultimately ineradicable but asserts they can be attenuated by the correct application of political economy as a science of government firmly focused on preserving stability in the short run (G. Mann, 2017). As Geoff Mann argues, the Keynesian aims not just to save capitalism from itself, but to preserve the 'thin and precarious crust' (Keynes cited in G. Mann, 2017, p. 9) of nothing less than modern bourgeois civilization. Thus, one of the foundational points of difference between the revolutionary and the Keynesian is over the risks posed by radical action. Both recognize the self-destructive tendencies of capitalism, but while the revolutionary looks to the horizon, to the better world that is yet to be built, the Keynesian argues that it is a mistake to fix our eyes too firmly on the horizon in the first place. As Mann (2017, pp. 204, 372) writes, for the Keynesian the 'problem of maintaining "civilization" must be undertaken' in the short run, in 'the infinite moments of deferral' through which the long run unfolds; bourgeois civilization is 'always already on a tightrope', and so we 'will never realize the long run without paying scrupulous attention to the fact that we could fall at any moment'.

In his writings on the GFC, the EC, and Covid-19, Tooze (e.g., 2018a, 2018b, 2021) has developed a politics of crisis-Keynesianism, which prioritizes the maintenance of some semblance of stability in the short run over the promise of deliverance in the long run. The upshot of such a theory

[2] Adam Tooze, 'Chartbook on Shutdown #2: Writing in medias res', *Adam Tooze Chartbook*, 5 September 2021, https://adamtooze.substack.com/p/chartbook-on-shutdown-2-writing-in

of politics is that ‘there are good reasons to defend technocratic government against the unreasoning passions of mass democracy’ (Tooze, 2018b). In times of acute crisis, the moments at which the ‘thin and precarious crust’ of bourgeois civilization is rendered particularly vulnerable, what is most needed is technocratic pragmatism aimed at ‘keep[ing] the show on the road by whatever means necessary’ (Tooze, 2018b). As he writes: ‘When the survival of the capitalist system is in question, as it was in 2008, the vast majority have too much at stake: we need the crisis-fighters’ (Tooze, 2018b). For Tooze, then, the extremity of the financial meltdowns examined in this thesis, and the threats they posed to economic, political, and social stability, justify the extraordinary interventions of the central banks. To be sure, these interventions have had adverse consequences; but as examples of good Keynesian crisis-fighters, central bank(er)s have been able to prevent even more calamitous economic and social damage. And the capacity to act unconstrained by political considerations or the threat of political ‘interference’ has been paramount to their success.

What is a Gramscian socialist to make of this? Tooze stresses that politics can only operate within the presently existing terrain of the possible and therefore that ad hoc crisis fighting is the best we can hope for. Like Tooze, the Gramscian begins from a sober analysis of the actually existing ‘relations of force’ and the terrain of the possible. If Tooze is correct in his assessment of the poor prospects of far-reaching reform (let alone revolution) in our present moment, then it is indeed true that continuous pragmatic crisis management would seem to be the least-worst option available. However, we may well discover in the coming years that there are social and political limits to such an approach. The backlash to the onward march of technocracy following the financial crisis has been marked and has often been politically and socially corrosive. And it seems likely that pragmatic crisis fighting will only become harder, more desperate, and more—to paraphrase Timothy Geithner—politically untenable in the coming years, as the interlocking crises of our time become less and less manageable. Here, then, we confront the tension between the necessity of technocratic crisis management in the short-run and its limitations over the long-run. For the likes of Tooze, this is not a contradiction that can be overcome; it represents a fundamental limit of the Keynesian programme, which is condemned to forever muddling through.

More fundamentally, though, the Gramscian also stresses the necessity of going beyond this dour realpolitik and engaging in political and intellectual struggle aimed at reshaping the terrain of the possible itself. In this respect, one could relatively easily dismiss Tooze's politics as inadequate: not only does he rely almost entirely on the promise of the technocratic imagination to find a way to muddle through, he also promotes a version of realpolitik that elides the capacity for hegemonic struggle to reshape the future. However, to dismiss Tooze's politics in this way is to miss what I think is the more fundamental challenge posed by his reading of the past decade, which is the need to take the 'historical consciousness and consequence[s]' of technocratic crisis management seriously. In a complex, fast-paced, and fragile global economic system, in which, as Tooze (2018a, pp. 612-613) writes, 'sudden ruptures, events that cannot be fully accounted for . . . demand action', the technocratic imagination is, and will remain, critical. Capitalist or not, we will always need experts and crisis fighters, and there is likely to always be 'an irreducible tension' between expertise and democracy (F. Fischer, 1990, p. 32), particularly in periods of extreme uncertainty and social precarity. But if the pressing global problems of the early 21st century are going to be addressed, we need to develop global systems of governance that prioritize human life and human flourishing over the interests of capital.

From the Gramscian perspective of transforming common sense, this means at least two things. First, at the elite policy level, work needs to be done to push existing institutions and policy frameworks in more socio-economically progressive directions. The last half decade has seen the beginnings of such a push in the realm of central banking. For example, various arguments have been forwarded in the academic literature for making central banks more democratically accountable by enhancing central bank transparency and fostering more rigorous mechanisms for public scrutiny and debate of monetary policy (Best, 2016), reassessing the terms on which the government delegates powers to the central bank (Downey, 2020; van't Klooster, 2020), or simply getting rid of CBI altogether (Woodruff, 2019). In the policy space, significant attention has been given to how central banks could help tackle climate change. For example, a growing body of literature, emanating mainly from Europe, has examined how central banks could help facilitate a move to net-zero by 'greening' their asset-purchase and lending programmes and integrating climate- and ecological-risk factors into their monetary, financial, and regulatory policy frameworks (e.g., Dafermos, Gabor, Nikolaidi, Pawloff, & van Lerven, 2020; Dikau & Volz, 2020; Monnin, 2018; Robins, Dikau, & Volz, 2021; van't Klooster & van Tilburg, 2020). As chapter 4 detailed, some of these ideas are becoming more widely discussed, albeit tentatively, by central bankers themselves. More ambitiously, calls have also been made to repurpose and democratize the immense planning powers of central banks (Braun, 2020c). For example, Saule Omarova (2021), President Biden's initial nomination for Comptroller of the Currency, has recently published a detailed blueprint for how the Fed's balance sheet could be redesigned so as to accommodate the migration of all demand deposits from the private banking system to the central bank, aiding a democratization of the US financial system.

While not necessarily always radical, such work attempts to reshape elite common sense and to provide blueprints for achieving a more socially just and ecologically sustainable world in the near future. This is the terrain on which the likes of Tooze operate. However, it would be naïve to think that this work alone will take us where we need to go. As I have argued in this thesis, central banks operate as power centres of finance capital, and central bankers are ultimately representatives of the same social class as private financiers; they are neither revolutionaries nor radical reformists. This kind of policy-focused work, then, needs to be complemented by the more fundamental reshaping of popular common sense on 'the economy' and its management. An important intellectual task here is to constantly lever open the utopian horizon, maintaining that the future is not preordained or foreclosed, that we are not condemned to a world of nothing but 'pragmatic crisis management'. And here, perhaps surprisingly, there may also be something for socialists to learn from the central bankers. Take the example of the BIS. While its prescriptions for governing the global financial system are underpinned by a belief in the superiority of open markets, its cynicism towards democratic politics, and its lack of concrete social goals, the breadth of the bank's conceptual and analytical ambition in envisaging 21st-century capitalism as a planetary system, and attempting to map it in real-time, is undeniably impressive. To my mind, the challenge for socialists is to envisage and promote forms of globalization and global governance that prioritize human life and the achievement of concrete social outcomes over principles of 'good' economic management. This requires that we think on a similarly grand and ambitious scale.

APPENDIX: FULL LIST OF SPEECHES ANALYSED

Bank for International Settlements (n = 61)

Andrew Crockett, 'Marrying the micro- and macro-prudential dimensions of financial stability', Eleventh International Conference of Banking Supervisors, Basel, 20 September 2000.

Andrew Crockett, 'Market discipline and financial stability', Bank of England, London, 23–25 May 2001.

Andrew Crockett, 'Central banking, financial stability and Basel II', 38th SEACEN Governors' Conference, Manila, 13 February 2003.

William White, 'International financial crises: prevention, management and resolution', Annual Congress of the Swiss Society of Economics and Statistics, Berne, 20 March 2003.

Malcolm Knight, 'Three observations on market discipline', BIS–Federal Reserve Bank of Chicago Joint Conference, Chicago, 30 October 2003.

Malcolm Knight, 'The role of the Bank for International Settlements in promoting financial stability', British-Swiss Chamber of Commerce, Basel, 2 February 2004.

Malcolm Knight, 'Challenges to financial stability in the current global macroeconomic environment', IMF, Washington DC, 6 September 2005.

Hervé Hannoun, 'Internationalisation of financial services: implications and challenges', 41st SEACEN Governors' Conference, Bandar Seri Begawan, 4 March 2006.

Malcolm Knight, 'Presentation in a session on "Asia, the US dollar and global imbalances"', Brussels Economic Forum, Brussels, 18 May 2006.

Malcolm Knight, 'Globalisation and financial markets', Austrian National Bank, Vienna, 22 May 2006.

Malcolm Knight, 'General Manager's speech: prospects and policies for the global economy', Bank for International Settlements' AGM, Basel, 24 June 2007.

William White, 'International governance for the prevention and management of financial crises', Bank of France, Paris, 10 June 2008.

Jaime Caruana, 'General Manager's speech: The narrow path ahead', Bank for International Settlements' AGM, Basel, 29 June 2009.

Jaime Caruana, 'Backstopping global banking', ECB, Frankfurt, 12 April 2010.

Jaime Caruana, 'General Manager's speech: three policy challenges for the world economy', Bank for International Settlements' AGM, Basel, 28 June 2010.

Jaime Caruana, 'Monetary policy in a world with macroprudential policy', SAARC FINANCE Governors' Symposium, Kerala, 10 June 2011.

Jaime Caruana, 'General Manager's speech: building a lasting foundation for sustainable growth', Bank for International Settlements' AGM, Basel, 26 June 2011.

Jaime Caruana, 'Central banking between past and future: which way forward after the crisis?' South African Reserve Bank, Pretoria, 1 July 2011.

Stephen Cecchetti, 'Global imbalances: current accounts and financial flows', Myron Scholes Global Markets Forum, University of Chicago, Chicago, 27 September 2011.

Hervé Hannoun, 'Monetary policy in the crisis: testing the limits of monetary policy', SAECEN Governors' Conference, Seoul, 13 February 2012.

Stephen Cecchetti, 'Is globalisation great?' Bank for International Settlements' AGM, Lucerne, 21–22 June 2012.

Jaime Caruana, 'General Manager's speech: it's time to address the root causes', Bank for International Settlements' AGM, Lucerne, 24 June 2012.

Jaime Caruana, 'Central bank cooperation: reflections on the experience of the last eight decades', CEMLA's 60th Anniversary Commemorative Conference, 20 July 2012.

Jaime Caruana, 'Policymaking in an interconnected world', Federal Reserve Bank of Kansas, Jackson Hole, 31 August 2012.

Claudio Borio, 'On time, stocks and flows: understanding the global macroeconomic challenges', Munich Seminar Series, University of Munich, Munich, 15 October 2012.
Jaime Caruana, 'Hitting the limits of 'outside the box thinking?' OMFIF, London, 16 May 2013.
Stephen Cecchetti, 'Five years in the tower' Bank for International Settlements' AGM, Lucerne, 20–21 June 2013.
Jaime Caruana, 'General Manager's speech: making the most of borrowed time', Bank for International Settlements' AGM, Basel, 23 June 2013.
Stephen Cecchetti, 'Central bank independence: a path less clear', Bank of Mexico, Mexico City, 14 October 2013.
Jaime Caruana, 'The changing nature of central bank independence', Bank of Mexico, Mexico City, 14 October 2013.
Jaime Caruana, 'Global economic and financial challenges: a tale of two views', Harvard Kennedy School, Cambridge, Massachusetts, 9 April 2014.
Jaime Caruana, 'Redesigning the central bank for financial stability responsibilities', Bulgarian National Bank, Sofia, 6 June 2014.
Jaime Caruana, 'Stepping out of the shadows of the crisis: three transitions for the world economy', Bank for International Settlements' AGM, Basel, 29 June 2014.
Jaime Caruana, 'The international monetary and financial system: eliminating the blind spot', IMF, Washington DC, 16 April 2015.
Claudio Borio, 'On the centrality of the current account in international economics', ECB–Central Bank of Turkey Joint Conference, Frankfurt, 28 August 2015.
Jaime Caruana, 'Regulatory stability and the role of supervision and governance', Tenth High-level Meeting on Global Banking Standards and Supervisory Priorities in the America, Montevideo, 28 October 2015.
Luiz da Silva, 'Old and new challenges for 2016 and beyond', Lamfalussy Lecture Series, Budapest, 1 February 2016.
Jaime Caruana, 'Global realignment and policy rebalancing', Bank for International Settlements' AGM, Basel, 26 June 2016.
Jaime Caruana, 'Have we passed "peak finance"?' International Center for Monetary and Banking Studies, Geneva, 28 February 2017.
Claudio Borio, 'Secular stagnation or financial cycle drag?' National Association for Business Economics, Washington DC, 5–7 March 2017.
Hyun Shin, 'Accounting for global liquidity: reloading the matrix', IMF–IBRN Joint Conference, Washington DC, 19 April 2017.
Fernando Restoy, 'Financial soundness indicators: looking beyond the lessons learned from the crisis', IMF, Washington DC, 26 April 2017.
Jaime Caruana, 'Looking beyond the here and now', Bank for International Settlements' AGM, Basel, 25 June 2017.
Jaime Caruana, 'International arrangements for a resilient global economy', Central Bank of Iceland–Reinventing Bretton Woods Committee Joint Conference, Reykjavik, 14 September 2017.
Agustín Carstens, 'The nature of evolving risks to financial stability', SEACEN Governors' Conference, Bangkok, 15 December 2017.
Fernando Restoy, 'Central banks and financial oversight', Fundación Ramón Areces, Madrid, 4 June 2018.
Agustín Carstens, 'Sustaining the momentum', Bank for International Settlements' AGM, Basel, 24 June 2018.
Luiz da Silva, 'Financial instability: can Big Data help connect the dots?' ECB Statistics Conference, Frankfurt, 11 July 2018.
Agustín Carstens, 'Global market structures and the high price of protectionism', Federal Reserve Bank of Kansas, Jackson Hole, 25 August 2018.

Claudio Borio, 'On money, debt, trust and central banking', Cato Institute, Washington DC, 15 November 2018.
Agustín Carstens, 'Money in a digital age: 10 thoughts', Lee Kuan Yew School of Public Policy, Singapore, 15 November 2018.
Agustín Carstens, 'The new role of central banks', FSI, Basel, 12 March 2019.
Agustín Carstens, 'Time to ignite all engines', Bank for International Settlements' AGM, Basel, 30 June 2019.
Agustín Carstens, 'Monetary policy: 10 years after the financial crisis', Basler Bankenforum, Basel, 5 September 2019.
Claudio Borio, 'Central banking in challenging times', SUERF Annual Lecture, Milan, 8 November 2019.
Benoît Cœuré, 'Learning the value of resilience and technology', Reinventing Bretton Woods Committee, virtual, 17 April 2020.
Agustín Carstens, 'In the face of an unexpected adversary: the crucial role of central banks', Bank for International Settlements' AGM, Basel, 30 June 2020.
Claudio Borio, 'The Covid-19 economic crisis: dangerously unique', National Association for Business Economics, virtual, 2 July 2020.
Claudio Borio, 'When the unconventional becomes conventional', ECB, Frankfurt, 30 September 2020.
Benoît Cœuré, 'Moving fast and not breaking things – central banks and innovation', World Fintech Festival, virtual, 7 December 2020.
Agustín Carstens 'Central bankers of the future', Bundesbank, virtual, 14 December 2020.

European Central Bank (n = 53)

José Manuel González-Páramo, 'Globalisation, international financial integration and the financial crisis – the future of European and international financial market regulation and supervision', Institute of International and European Affairs, Dublin, 19 February 2010.
Jean-Claude Trichet, 'Shaping a new world – the crisis and global economic governance', Bocconi University, Milan, 9 April 2010.
Jean-Claude Trichet, 'Central banking in uncertain times – conviction and responsibility', Federal Reserve Bank of Kansas, Jackson Hole, 27 August 2010.
Lorenzo Bini Smaghi, 'Western democracy and its discontents – economic and political challenges', Aspen Transatlantic Dialogue, Rome, 14 October 2010.
Jürgen Stark, 'The future of the international monetary system – lessons from 1971 for Europe and the world in light of past and present experience', Official Monetary and Financial Institutions Forum, London, 11 May 2011.
Lorenzo Bini Smaghi, 'European democracies and decision-making in times of crisis', Hellenic Foundation for European and Foreign Policy, Poros, 8 July 2011.
Jean-Claude Trichet, 'Achieving maximum long-term growth', Federal Reserve Bank of Kansas, Jackson Hole, 27 August 2011.
José Manuel González-Páramo, 'The ECB and the sovereign debt crisis', Moneda y Crédito Symposium, Madrid, 4 November 2011.
José Manuel González-Páramo, 'Completing the euro project – the day after tomorrow', Official Monetary and Financial Institutions Forum, London, 18 May 2012.
Jörg Asmussen, 'Stability guardians and crisis managers – central banking in times of crisis and beyond', Goethe University, Frankfurt, 11 September 2012.
Benoît Cœuré, 'Revisiting the European social contract', Harvard University, Cambridge Massachusetts, 2 March 2013.
Jörg Asmussen, 'Saving the euro', The Economist's Bellwether Europe Summit, London, 25 April 2013.

Benoît Cœuré, 'The political dimension of European economic integration', Ligue des droits de l'Homme, Paris, 23 November 2013.
Mario Draghi, 'Money and monetary institutions after the crisis', Bank of Italy, Rome, 10 December 2013.
Mario Draghi, 'Unemployment in the euro area', Federal Reserve Bank of Kansas, Jackson Hole, 22 August 2014.
Benoît Cœuré, 'Structural reforms – learning the right lessons from the crisis', Bank of Latvia, Riga, 17 October 2014.
Yves Mersch, 'Monetary policy and economic inequality', Corporate Credit Conference, Zurich, 17 October 2014.
Mario Draghi, 'Stability and prosperity in Monetary Union', University of Helsinki, Helsinki, 7 November 2014.
Mario Draghi, 'Structural reforms, inflation and monetary policy', ECB Forum on Central Banking, Sintra, 22 May 2015.
Benoît Cœuré, 'Towards a political convergence process in the euro area', Interparliamentary Conference, Berlin, 16 October 2015.
Sabine Lautenschläger, 'Stormy times – how is the ECB handling them?', General Assembly of the Bavarian Economic Advisory Committee, Munich, 23 November 2015.
Mario Draghi, 'Global and domestic inflation', Economic Club of New York, New York, 4 December 2015.
Vítor Constâncio, 'International headwinds and the effectiveness of monetary policy', 25th Annual Hyman P Minsky Conference on the State of the US and World Economies, New York, 23 April 2016.
Mario Draghi, 'On the importance of policy alignment to fulfil our economic potential', Brussels Economic Forum, Brussels, 9 June 2016.
Mario Draghi, 'Reviving the spirit of De Gasperi – working together for an effective and inclusive Union', Presentation ceremony of the De Gasperi award, Trento, 13 September 2016.
Benoît Cœuré, 'The case for rethinking international capital flows', SUERF/PSE/CEPII conference, Paris, 15 September 2016.
Benoît Cœuré, 'Having confidence in Europe', Istituto Affari Internazionali, Rome, 26 September 2016.
Mario Draghi, 'Stability, equity and monetary policy', 2nd DIW Europe Lecture, German Institute for Economic Research, Berlin, 25 October 2016.
Peter Praet, 'The future of global financial integration', Federal Reserve Bank of New York, New York, 17 November 2016.
Benoît Cœuré, 'Sustainable globalisation – lessons from Europe', 25 Years after Maastricht Conference, Maastricht, 16 February 2017.
Peter Praet, 'Creating stability in an uncertain world', SUERF conference on Brexit and the Implications for Financial Services, London, 23 February 2017.
Peter Praet, 'Have unconventional policies overstretched central bank independence? Challenges for accountability and transparency in the wake of the crisis', Symposium on Building the Financial System of the 21st Century, Frankfurt, 29 March 2017.
Yves Mersch, 'Central bank independence revisited', Symposium on Building the Financial System of the 21st Century, Frankfurt, 30 March 2017.
Mario Draghi, 'Sustaining openness in a dynamic global economy', Federal Reserve Bank of Kansas, Jackson Hole, 25 August 2017.
Benoît Cœuré, 'The consequences of protectionism', 29th edition of the workshop 'The Outlook for the Economy and Finance', Villa d'Este, Cernobbio, 6 April 2018.
Yves Mersch, 'Deepening EMU – political integration and economic convergence', Economic and Monetary Union: Deepening and Convergence, Linz, 5 July 2018.

Benoît Cœuré, 'Asserting Europe's leadership', Rencontres Économiques d'Aix-en-Provence, Aix-en-Provence, 8 July 2018.
Mario Draghi, 'Central bank independence', National Bank of Belgium, Brussels, 26 October 2018.
Yves Mersch, 'Climate change and central banking', Workshop discussion 'Sustainability is Becoming Mainstream', ECB, Frankfurt, 27 November 2018.
Mario Draghi, 'Europe and the euro 20 years on', University of Sant'Anna, Pisa, 15 December 2018.
Mario Draghi, 'Sovereignty in a globalised world', Università degli Studi di Bologna, Bologna, 22 February 2019.
Yves Mersch, 'Necessity, proportionality and probity – central bank independence in unconventional times', The ECB and its Watchers conference, Frankfurt, 27 March 2019.
Mario Draghi, 'Policymaking, responsibility and uncertainty', Università Cattolica, Milan, 11 October 2019.
Mario Draghi, 'Farewell remarks', ECB, Frankfurt, 28 October 2019.
Sabine Lautenschläger, 'A call for Europe', Heinrich-Heine University, Düsseldorf, 30 October 2019.
Christine Lagarde, 'Climate change and the financial sector', Launch of the COP 26 Private Finance Agenda, London, 27 February 2020.
Philip Lane, 'Monetary policy, low interest rates and low inflation', Centre for European Reform, London, 27 February 2020.
Isabel Schnabel, 'Never waste a crisis: COVID-19, climate change and monetary policy', Sustainable Crisis Responses in Europe, virtual, 17 July 2020.
Isabel Schnabel, 'The shadow of fiscal dominance: misconceptions, perceptions and perspectives', Centre for European Reform and the Eurofi Financial Forum, virtual, 11 September 2020.
Christine Lagarde, 'Jointly shaping Europe's tomorrow', Franco-German Parliamentary Assembly, virtual, 21 September 2020.
Isabel Schnabel, 'When markets fail – the need for collective action in tackling climate change', European Sustainable Finance Summit, Frankfurt, 28 September 2020.
Christine Lagarde, 'Fostering sustainable growth in Europe', European Banking Congress, Frankfurt, 20 November 2020.
Isabel Schnabel, 'The importance of trust for the ECB's monetary policy', Havarie Europa. Zur Pathogenese europäischer Gegenwarten seminar series, virtual, 16 December 2020.

US Federal Reserve System (n = 51)

Donald Kohn, 'Policies to bring us out of the financial crisis and recession', College of Wooster, Wooster, 3 April 2009.
Ben Bernanke, 'Four questions about the financial crisis', Morehouse College, Atlanta, 14 April 2009.
Ben Bernanke, 'Reflections on a year of crisis', Federal Reserve Bank of Kansas, Jackson Hole, 21 August 2009.
Kevin Warsh, 'An ode to independence', Shadow Open Market Committee, New York, 26 March 2010.
Ben Bernanke, 'Economic policy – lessons from history', 43rd Annual Alexander Hamilton Awards Dinner, Washington DC, 8 April 2010.
Donald Kohn, 'Global imbalances', Conference on the international monetary system, Zurich, 11 May 2010.
Ben Bernanke, 'Central bank independence, transparency, and accountability', Bank of Japan, Tokyo, 25 May 2010.
Ben Bernanke, 'Fiscal sustainability and fiscal rules', Annual Meeting of the Rhode Island Public Expenditure Committee, Providence, 4 October 2010.
Janet Yellen, 'Reaping the full benefits of financial openness', Bank of Finland, Helsinki, 6 May 2011.

Charles Evans, 'The Fed's dual mandate responsibilities – maintaining credibility during a time of immense economic challenges', Michigan Council on Economic Education, Detroit, 17 October 2011.
Charles Plosser, 'Restoring central banks after the crisis', Global Interdependence Center, Paris, 26 March 2012.
Sarah Bloom Raskin, 'Aspects of inequality in the recent business cycle', 22nd Annual Hyman P. Minsky Conference, New York, 18 April 2013.
Ben Bernanke, 'Creating resilient communities', Federal Reserve System Community Affairs Research Conference, Washington DC, 12 April 2013.
William Dudley, 'Unconventional monetary policies and central bank independence', Bank of Mexico, Mexico City, 15 October 2013.
Ben Bernanke, 'The crisis as a classic financial panic', 14th Jacques Polak Annual Research Conference, Washington DC, 8 November 2013.
Ben Bernanke, 'The Federal Reserve – looking back, looking forward', Annual Meeting of the American Economic Association, Philadelphia, 3 January 2014.
Daniel Tarullo, 'Longer-term challenges for the American economy', 23rd Annual Hyman P. Minsky Conference, Washington DC, 9 April 2014.
Janet Yellen, 'Perspectives on inequality and opportunity from the Survey of Consumer Finances', Conference on Economic Opportunity and Inequality, Federal Reserve Bank of Boston, Boston, 17 October 2014.
William Dudley, 'Enhancing financial stability by improving culture in the financial services industry', Federal Reserve Bank of New York, New York, 20 October 2014.
Thomas Baxter, 'The rewards of an ethical culture', Bank of England, London, 20 January 2015.
Jerome Powell, '"Audit the Fed" and other proposals', Catholic University of America, Washington DC, 9 February 2015.
Charles Plosser, 'An appreciation of the Fed's 12 banks', Union League of Philadelphia, Philadelphia, 17 February 2015.
Janet Yellen, 'Normalizing monetary policy – prospects and perspectives', The New Normal Monetary Policy research conference, San Francisco, 27 March 2015.
Janet Yellen, 'Finance and society', Institute for New Economic Thinking, Washington DC, 6 May 2015.
Stanley Fischer, 'What have we learned from the crises of the last 20 years?' International Monetary Conference, Toronto, 1 June 2015
Stanley Fischer, 'Central bank independence', National Economists Club, Washington DC, 4 November 2015.
Alberto Musalem, 'Why focus on culture?' Towards a New Age of Responsibility in Banking and Finance conference, Goethe University, Frankfurt, 23 November 2015.
Stanley Fischer, 'Reflections on macroeconomics then and now', 32nd Annual National Association for Business Economics Economic Policy Conference, Washington DC, 7 March 2016.
William Dudley, 'The role of the Federal Reserve – lessons from financial crises', Virginia Association of Economists, Lexington, 31 March 2016.
Jerome Powell, 'A view from the Fed', Understanding Fedspeak event, Washington DC, 30 November 2016.
William Dudley, 'Improving the culture of financial service', The Culture Imperative interbank symposium, New York, 11 January 2017.
William Dudley, 'Reforming culture for the long term', Banking Standards Board, London, 21 March 2017.
William Dudley, 'Benefits and challenges from globalization', Bombay Stock Exchange, Mumbai, 11 May 2017.
Jerome Powell, 'Thoughts on the normalization of monetary policy', The Economic Club of New York, New York, 12 June 2017.

Stanley Fischer, 'The low level of global real interest rates', Conference to Celebrate Arminio Fraga's 60 Years, Rio de Janeiro, 31 July 2017.
Lael Brainard, 'Why persistent employment disparities matter for the economy's health', Disparities in the Labour Market: What Are We Missing, Federal Reserve System research conference, Washington DC, 26 September 2017.
Michael Held, 'The financial crisis – perspectives from a decade on', Administrative and Banking Law Committees of the Association of the Bar of the City of New York, New York, 15 November 2017.
William Dudley, 'Making globalization work', Central Bank of Brazil, São Paulo, 1 March 2018.
Kevin Stiroh, 'The complexity of culture reform in finance', 4th Annual Culture and Conduct Forum for the Financial Services Industry, London, 4 October 2018.
Jerome Powell, 'Encouraging economic development in high-poverty rural areas', Mississippi Valley State University, Mississippi, 12 February 2019.
John Williams, 'Banking culture – the path ahead', Federal Reserve Bank of New York, New York, 4 June 2019.
Lael Brainard, 'Why climate change matters for monetary policy and financial stability', The Economics of Climate Change conference, San Francisco, 8 November 2019.
Richard Clarida, 'Monetary policy, price stability, and equilibrium bond yields: success and consequences', High-Level Conference on Global Risk, Uncertainty, and Volatility, Zurich, 12 November 2019.
Kevin Stiroh, 'Climate change and risk management in bank supervision', Risks, Opportunities, and Investment in the Era of Climate Change, Harvard, Boston, 4 March 2020.
Jerome Powell, 'Monetary policy: normalization and the road ahead', Stanford Institute of Economic Policy Research, Stanford, 8 March 2020.
John Williams, 'A different kind of recession', Institute of International Finance: Central Banking in the Age of COVID-19 Summit, virtual, 30 June 2020.
Jerome Powell, 'New economic challenges and the Fed's monetary policy review', Federal Reserve Bank of Kansas, Jackson Hole, virtual, 27 August 2020.
John Williams, 'Building an equitable future', The Impacts of COVID-19 on Communities of Color and Policy Insights for an Equitable Economic Recovery, New York, 24 September 2020.
Lael Brainard, 'Achieving a broad-based and inclusive recovery', Post-COVID: Policy Challenges for the Global Economy, Society of Professional Economists Annual Conference, virtual, 21 October 2020.
Lael Brainard, 'Strengthening the financial system to meet the challenge of climate change', Center for American Progress, Washington DC, 18 December 2020.
Lael Brainard, 'The role of financial institutions in tackling the challenges of climate change', Institute of International Finance, Washington DC, 18 February 2021.

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