

Central Banks: Between Internationalization and Domestic Political Control

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Overview

1. The demand for central bank autonomy is often a consequence of the fragmentation of national decision making, in federal systems but also in regional monetary arrangements.
2. Economic crises promote redistributive thinking, both within and between countries.
3. In economic crises, the combination of disenchantment or disillusionment with the operation and a demand for government action challenges the foundations of international cooperation.

4. A greater discussion of policy failure occurs in the aftermath of crisis.
5. European developments have offered a particularly striking illustration both of the mechanisms involved in the building of a cooperative framework, and also of their problems and weaknesses.
6. There is an oscillation between seeing the central bank as producing a general or universalizable good (price stability) and interpreting it as fundamentally a tool for redistributive or factional policies. The former can clearly occur in an international and trans-national setting, while the latter will only work in the framework of national policy.

1930s

- Response to heyday of international central bank cooperation
- “Bankers’ Ramp”
- “deux cent familles”

Postwar Period

- State control of central banks
- Exception: Bank deutscher Laender/
Bundesbank

1980s: literature on central bank independence

How to measure independence?

1. Measure legal independence
2. Turnover of central bank governors
3. Questionnaires on perception

FIGURE 1

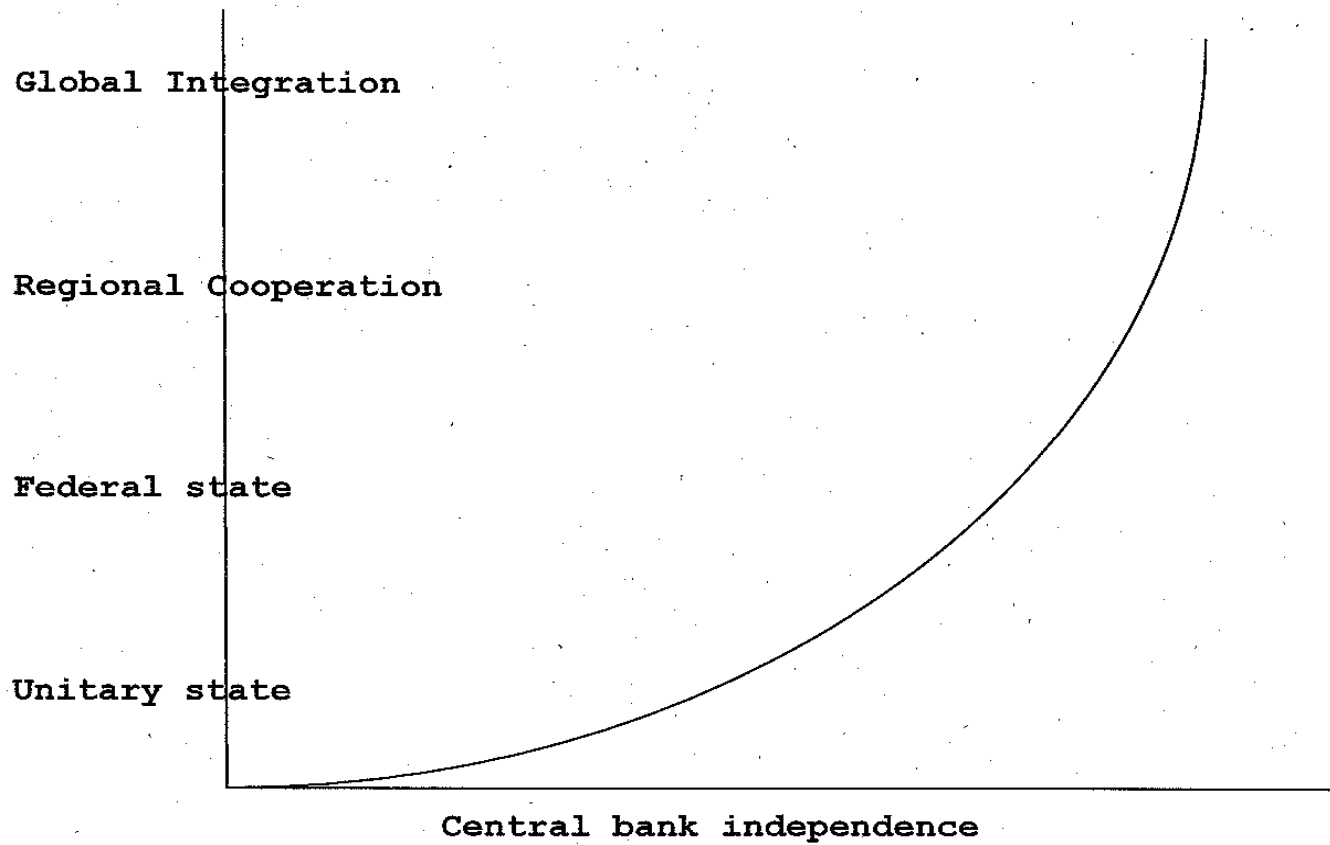
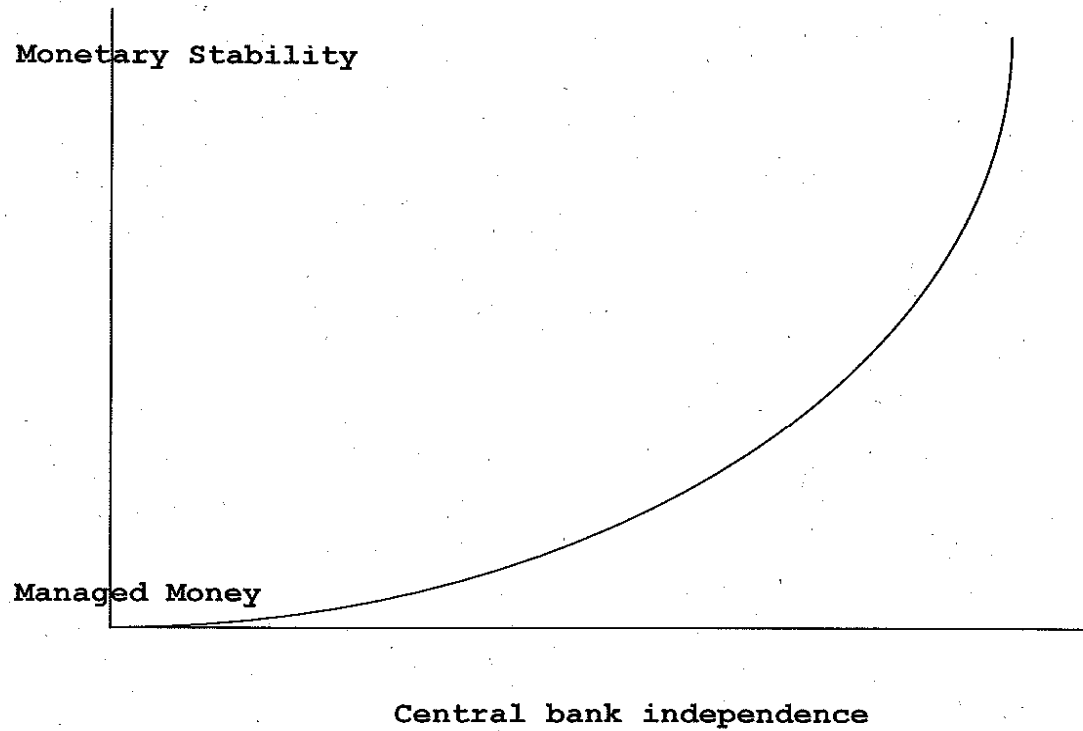


FIGURE 2



Cycles

- Karl Helfferich (Das Geld, 1903): The capacity of the state and of public policy to shape value would encourage a mobilization and a polarization of interests, on the one hand of those who might benefit from monetary depreciation, and on the other of recipients of fixed incomes, whether as wages or interest payments, who wanted an increase in the value of money. The capacity to manipulate value would lead to a new sort of class war, in which groups would form and mobilize in order to seize the levers of power that would give them the capacity of determining value.

European Monetary Integration

- “democratic deficit”?
- not concerned with either the management of state debt or with financial sector stability
- a regional answer to global problems

	Political Order	Redistribution	Monetary Policy
Globalization	Weakening of states and diffusion of political authority	Limits to redistribution	Search for stable regime: <ul style="list-style-type: none"> - Gold standard - CPI targeting
Deglobalization		Greater redistributive potential	Acceptance of instability

Article 1 (14) of the Lisbon Treaty

- Amends Article 9 of the Treaty on European Union
- European Central Bank is an institution of the European Union
- ECB “shall aim to promote its values, advance its objectives, serve its interests, those of its citizens and those of the Member States, and ensure the consistency, effectiveness and continuity of its policies and actions.”
- ECB obliged to practice “mutual sincere cooperation.”