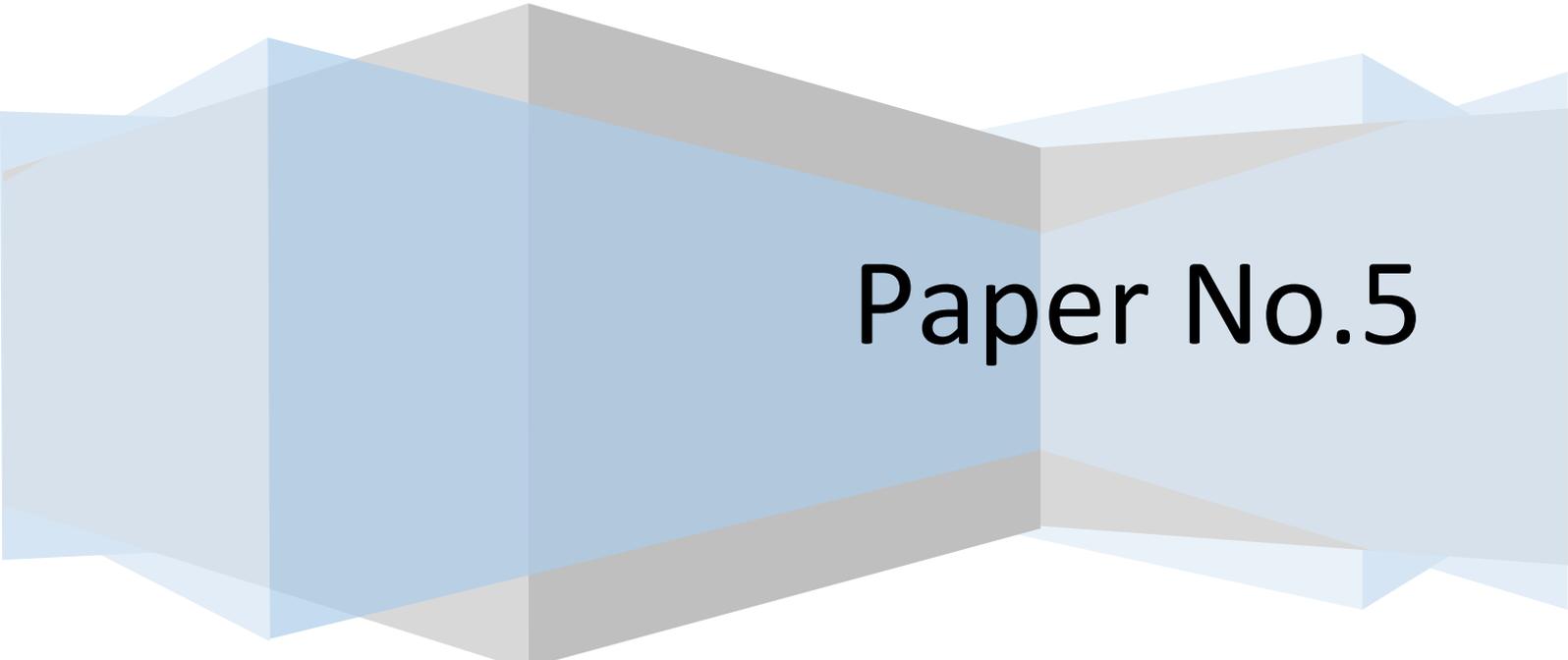


The Libertarian Ideal

For secession, decentralism, mutualism and organic tradition

Central Bank's Ideational Construction

Chris Shaw



Paper No.5

Central Bank's Ideational Construction

In this essay I look into the constructed nature of central bank independence (CBI) as a socio-economic concept. CBI is presented as a major element of modern economic orthodoxy, seen as the natural progression of economic history where states become less powerful and the market alongside independent quasi-regulatory institutions become more powerful. However, looking at the developing ideational and political understandings that emplaced this neoliberal framework, we can see a political construction to CBI. CBI is part of a discourse that sees the economy as a rational entity, always moving toward equilibrium with states and the voting public being interfering actors who distort the market, and interprets crises as originating from these interfering actors. Thus we also see changes in the patterns of politics and voting (particularly in the UK and US) which show a move toward a new form of electoral public, represented by the median voter and an individuated consumer of politics rather than a politicised, partisan public. These shared political and ideational understandings form a wider epistemic community which constructs a socio-economic ideology that legitimates neoliberal economic governance and a narrowed dialogic democracy, providing a political basis through which CBI could be developed and legitimated.

Central bank independence (CBI) is presented as the rational politico-monetary policy to deal with complex, internationalised financial markets. The state, as an institution, cannot possibly deal with such levels of complexity due to the centralised nature of the state's aggregation of socio-economic knowledge and data, thus leading to political solutions which increase inflation and with it economic volatility. Such inflationary tendencies are the built-in responses of politicians' bias toward political action which serve interest groups and electoral coalitions. An independent central bank can "choose a policy rule that is non-accommodating of inflationary tendencies"¹ due to its proximity away from social and political interests. It can gear policy in the direction of financial authority, having a level of credibility that can influence the direction of financial markets and their actors while limiting the influence of inflationary political activity.

Such is the view of the proponents of CBI, who claim their authority and expertise can maximise the "social welfare function"² along a better distributional circuit of interests than that of political or state-based actors. However, such a perspective ignores both the political constitution of CBI, and the politicised discourses that surround its legitimation. The development of CBI "must be understood in political as well as economic terms"³, with the political influences and choices that moved central banking toward regimes of independence containing a "statement of social intent"⁴. This conception of central banking, and of the wider economy, did not originate from the ether, but had definite origins in particular political and economic understandings and led to the development of collective wills which furthered the authority and power of these discourses.

Fundamentally, the discursive politics that surrounds CBI suggest that "a social structure of accumulation based on monetary orthodoxy" is the natural inclination of monetary economics, where decision-making processes within financial markets and the internationalised market economy are seen as wholly rational, informed by the profit-motive and the logics of basic calculation. They are not institutions, in the sense of being a "collectively accepted system of rules (procedures, practices) that enable us to create institutional facts"⁵, but calculable entities whose systems of price discovery and actor interaction are entirely coherent and rational, borne of the natural relations of the market. Financial market outcomes are viewed as exogenous events, where market actors seamlessly integrate information which is used as the main rationale for their behaviour and decisions⁶. However, in the light of the ideational and political construction involved in developing such a narrative and the institutional apparatus of an independent central bank to shepherd it, alongside the crises that have led to different political and ideological coalitions converging, such a view is untenable.

Central banks are not simply rational stewards of an economy, there to develop a distributional constitution that reflects an abstracted social welfare function. They have interests that influence them, and ideological/ideational frameworks through which particular understandings are developed (and others are ignored and/or denigrated). The central bank apparatus, through its ideational framing, helps create the situations and developments that are seen as indicative of the necessity of CBI in the first place. Central banks are thus also

¹ Watson, M. 2002, 184

² Watson, M. 2002, 187

³ Watson, M. 2002, 195

⁴ Watson, M. 2002, 195

⁵ Searle, J. 2005, 21

⁶ Sinclair, T. 2009, 451

market-makers, whose performativity of ideology creates the circumstances through which it becomes entrenched. Such can be seen with the Federal Reserve's move toward a policy of transparency, which signalled to financial markets the desire for a low-inflation environment. Policy outcomes developed through financial actors legitimated this policy position, with market actors performing to the expectation of the independent central bank.

Further, political changes created the ideological framing necessary for the construction of discourses that supported independence as the best means for reducing inflation. The development of an independent Bank of England in 1997 was possible due to the significant political changes that had occurred in the UK, with distributional coalitions that existed in the corporatist structures of the Bretton Woods era breaking down, being replaced by individuated narratives that focused on an abstracted median voter who was relatively apolitical and focused on a narrow band of issues around their own livelihood (such as access to mortgages and other financial instruments).

This can be viewed as the development of an epistemic community, whose legitimation developed through politico-economic changes that moved discourse away from redistributive politics around the welfare state and strong corporatist systems toward individuated conceptions. In this environment, inflation was seen as the enemy, controllable only by a technocratic body at arm's-length from governmental politics. This legitimated an understanding of central bank's as holding positions of socio-economic authority, who could guide policy and decision-making in a rational direction, effectively creating forms of performativity that developed expectations into social reality. This surrounding epistemic community demonstrates the political origination and continuing orientation of independent central banks, who legitimate their authority through rationalist discourses and the existing distributional coalitions found in modern neoliberal capitalism which still have expectations of financial growth and stability.

The Ideational Roots

The ideational foundations of CBI cannot be separated from surrounding political and economic events that were developing around the time nominal independence and the construction of central bank authority occurred. In the case of the United States, the exogenous understanding of markets and the development of a neoclassical thinking on the economy (that "cast markets as efficient in the long run, but concede that they can still err in the short term"⁷) came with the economic crises of the 1970s, marked by stagflation where prices rose but employment fell, creating an anomaly for the prevailing economic orthodoxy of the Bretton Woods era. The distributional coalition that maintained Bretton Woods, based as it was on a corporatist framework of wages linked to productivity and inflation⁸ and an interventionist state that set incomes policies and controlled certain capital flows⁹, began to break down, as can be seen in the changing importance of institutionalised economics. The Council of Economic Advisors was the major advisory body during the Bretton Woods era, developing an ideational conflagration of concepts and interests that legitimated incomes policies¹⁰ and the power of political decision-making over authoritative, rationalised expertise. The interests of the general public and an understanding of a cohesive, unified society that was overtly political informed the direction of monetary, fiscal and labour-based policies. "The public ha[d] a vital interest' in 'the terms of agreement reached between labor

⁷ Widmaier, W. 2007, 46

⁸ Piore, M. & Sabel, C. 1984, 80

⁹ Widmaier, W. 2007, 47

¹⁰ Widmaier, W. 2007, 48-49

and management"¹¹. Here the concept of expertise or independence are placed as secondary to the interests of a politicised public.

However, with the development of stagflation crises and the problems of management-labour negotiation breakdowns in major industries, such an understanding of the general public and the need to shape policy around an overtly political framework began to be problematised. New intersubjective understandings of the placement of origin in economic crises were developing that saw overt political action as counterproductive to the needs of the economy. Ideational perspectives were brought forth which saw "[f]irm discipline over the budget and a prudent monetary policy" as "the most important steps that can be taken' in fighting inflation"¹².

In a similar vein, a history of politicised interest rate setting decisions in the United Kingdom, where stagflation crises had also caused problems, were beginning to be critiqued as inadequate in the face of inflationary pressures. "Britain had gone through a period of high inflation during the 1970s, with persistently high money growth continuing through the 1980s"¹³, thus providing an event-laden justification for greater central bank authority and independence when it came to rate-setting. However, proposals brought forth by Nigel Lawson were rejected by Margaret Thatcher as problematic when high inflation and money growth were still existent. Further, the electoral interests that surrounded Thatcher's electoral success meant that she did not want to jeopardise this political concentration of interests, many of whom were homeowners who would be hurt by increased interest rates¹⁴ (a possibility if rate setting were left in the hand of experts at the central bank). As a result, accession to the European Exchange Rate Mechanism (ERM) was seen as the best way to combat inflation through high interest rates while avoiding political opposition, as the ERM was viewed as an "external anchor to monetary policy that would impose discipline on British monetary policy"¹⁵ as political actors could externalise the political costs onto an outside body. However due to significant speculation against the British Pound on exchange markets, the UK was forced to exit the ERM in 1992. Again, a crisis of monetary management supposedly brought forth by political interference created the conditions for debate around CBI, as Norman Lamont called for independence "in order to rebuild lost credibility with the markets"¹⁶.

These events came alongside significant changes in the ideational coalitions that formed to support particular policy perspectives and outcomes. They in many ways provided a material impetus for change that had developed within academic and governmental circles beforehand. In this sense, these crises were interpreted, with "their most important effects pertain(ing) to their implications for prevailing intersubjective understandings"¹⁷. In these cases, the desire for an anti-inflationary, non-political monetary policy had already been evolving, as can be seen in the changes in Federal Reserve ideology from the 1970s with neoclassical understandings beginning to predominate over Keynesian institutionalism which emphasised overt state action and incomes policies to quell speculation and maintain economic growth. In the UK, the history of stagflation combined with politicised rate setting

¹¹ Widmaier, W. 2007, 49

¹² Widmaier, W. 2007, 54

¹³ King, M. 2005, 102

¹⁴ King, M. 2005, 103

¹⁵ King, M. 2005, 104

¹⁶ King, M. 2005, 104

¹⁷ Widmaier, W. 2007, 55

also set the stage for changing ideational variables which provided an intersubjective lens to view prevailing monetary and economic crises.

This intersubjective lens, developed over the course of the 1950s and 60s in many different academic outlets, took a rationalist view of monetary expectations, viewing price setting, wages and the developments of labour markets as simple functions of supply and demand, with the requisite policy-view that "increased unemployment might ease inflationary pressure"¹⁸ and austerity would be the best policy framework through which to realise this. This neoclassical lens fundamentally painted the developing stagflation crises as a "state failure"¹⁹, created by the exogenous inevitabilities of political/state action. What this then shows is CBI is not in itself a rational policy borne of economic necessity, but instead an ideational view placed within a dialectical process that connects material crises with new intersubjective understandings that place different boundaries between state and market than those posed by other systemic understandings.

This "narrative placement, involving efforts to cast events as having particular causes"²⁰ also has the function of signalling intent amongst institutional actors, in this case signalling a desire to hold down inflation through an independent central bank and a depoliticised monetary policy as noted by Norman Lamont's belief in CBI to restore a credible monetary policy that calmed financial markets after the ERM crisis. The case of a policy of transparency that the Federal Reserve developed in the 1990s shows this kind of ideational framing and signalling. Transparency emanating from the Federal Reserve allowed it to announce where it intended the Federal Funds Rate to go, with traders immediately moving the rate in anticipation of this move, producing the outcome the central bank intended. This was achieved by Greenspan regularising FOMC announcements and intentions, and providing public statements that signalled those intents.²¹ Thus monetary adjustments were taken on by the market due to the signalling of the FOMC and the wider central bank, with expectations being produced by the market mechanism. This had the effect of ironically cloaking its actions through a veil of transparency, as the market was tacitly made by the actions the Federal Reserve were signalling²² while the Fed themselves were not politically culpable due to the depoliticised approach being taken.

Such signalling also finds its place in the dialectical processes of materiality versus ideology, as such signalling reveals the fundamental dilemma of CBI as a policy, that of a depoliticised approach concealing the political processes and debates that lie underneath. With the stagflation crises, the neoclassical understanding that began to predominate laid the blame at the feet of the state, problematising political involvement in monetary policy, and created a situation where political action created obvious blame, thus limiting its effectiveness. Neoclassical/neoliberal economic management "attempts to reverse this process, effectively depoliticizing economic policy by redefining economic events as the product of 'market forces' rather than the activities of state officials"²³. It is viewed that in the situation of international markets, political action cannot deal with narrowed financial coalitions of

¹⁸ Widmaier, W.2004, 444

¹⁹ Widmaier, W.2004, 445

²⁰ Widmaier, W. 2007, 46

²¹ Krippner, G. 2007, 502

²² Krippner, G. 2007, 505

²³ Krippner, G. 2007, 479-480

interests. There is thus a need for autonomous agencies that have "reputational uniqueness" that "can create solutions and provide services found nowhere else in the polity"²⁴.

However, this also has the effect of creating "new forms of economic governance"²⁵ that institutionalise and codify the lines between states and markets in a tacit manner, masking the extent to which state/political involvement has constructed the ideational and material circumstances of 'autonomous' market institutions such as the independent central bank. In effect, it's a narrowing of the distributional coalition, recognising different social welfare functions that don't rely on a politicised public but "on a much smaller group of actors concentrated within financial markets"²⁶ who need to be signalled too to maintain monetary equilibrium and confidence. This ideational position conceals the political character of the independent central bank as both a regulative and constitutive market-maker.

The Wider Politics

Central banks can thus be seen as market-making institutions, who shape expectations and create situations that lead to desired outcomes. In the case of neoclassical/neoliberal forms of economic management, where the central bank is given nominal independence from political machinations, the outcomes desired surround reducing inflation through the influencing of interest rates and providing a stable monetary environment. Central banks are market-makers in their own currencies, making them internationally attractive, as well as lenders of last resort that can refinance banks so as to maintain and make markets in "deposit liabilities in terms of currency"²⁷. They play a significant role in producing expectations and pushing ideational narratives, acting as arbiters of a neoliberal position, producing a discursive money that is backed by the state and creates material expectations.

In narrowing the distributional coalition and developing a new ideational backdrop, thus producing the discursive and material circumstances that supported neoliberal forms of monetary governance, the concept of a politicised public found within the narratives of Bretton Woods was problematic. It doesn't accord with a general theory of inflation which places the nature of inflation as a cause of exogenous events²⁸ (normally generated by politicised institutions or the wider state), with financial markets in the long-run going toward equilibrium due to the presence of rational actors who can be led astray by overt political action. This narrowed distributional coalition/community focuses on this rational actor, a depoliticised "market agent" that is the contrast to the voter, a deluded mass actor involved in an irrational trade-off between lower unemployment and developing monetary equilibrium²⁹.

Changes in the systems of electoral politics also came alongside the ideational changes which favoured neoliberal governance, developing electoral coalitions around a rationalised individual whose investment in society is based on their individuated interests. Voters effectively become consumers in wider systems of political management, where there was a migration of socio-economic power from the state to the capitalist market³⁰ and a change in the boundary between states and markets, with the state becoming nominally depoliticised and many of its functions being distributed to institutions that lie within that boundary (such

²⁴ Goodhart, L. 2015, 287

²⁵ Krippner, G. 2007, 480

²⁶ Watson, M. 2002, 184

²⁷ Mehrling, P. 2000, 366

²⁸ Watson, M. 2002, 189

²⁹ Watson, M. 2002, 188

³⁰ Cochoy, F. 1998, 213

as an independent central bank). However these depoliticisation narratives are tacitly political. With the development of neoliberal governance, the state did not retreat so much as change the distributional coalition that informed the social welfare function, moving toward a new form of regulation of financial markets which enhanced "the 'power' of the state vis-a-vis the working class"³¹ and justified downward pressures on wages and the development of international competitiveness.

This is particularly prevalent in the light of globalisation in the 1990s. It can be seen as a process that intensified "social relations throughout the world, linking distant localities in such a way that local happenings are formed as a result of events that occur many miles away and vice versa"³², meaning that policy autonomy directly linked to the interests of a politicised public became institutionally difficult when trying to also pursue policies of international openness and liberalisation. Such "spatio-temporal processes of change"³³ can prove electorally unviable in a situation where the general public are provided a seat at the table of monetary policy debates and decisions. Thus there is a need to change the distributional coalition, narrowing it to the interests of a class of conceptual globapolitans, those who are "half beings, half flows"³⁴ (such as financial market actors and capital owners) and are fully integrated into the processes and developments of globalisation. They don't necessarily exist as a fully material class, but as an ideational framing that sees the voting public as an individuated set of subjects integrated into international capitalism.

Globalisation thus acts as a paradigm shift, where a mutualising performativity exists between changes in mass politics and new financial orthodoxies which limit the full plurality of financial discourse and its attendant variants, pushing a singular narrative of rational depoliticisation which had political support due to its ability to produce particular political outcomes that supported a limited form of franchise, in this case the rationalised, globalised voter. The discourses found in the development of New Labour point in the direction of this conceptual electoral individual. Third Way, a central pillar of New Labour's ideological framework, took the depoliticisation narrative as a part of governing in the modern globalised world, effectively accepting the "rapid economic change"³⁵ in the relations of capital and labour and the decision-making processes in monetary policy. The electoral coalition that accepts these changes revolves around the median voter, a universal electoral variable that "a majority rule voting system"³⁶ will coalesce around.

The ideational framework developed in forms of neoliberal governance receive political viability through the development of new distributional coalitions which reproduce a social welfare function surrounding a globalised, rationalised median voter. Such "patterns of behaviour consistent with the institutional norm become the subject of routine reproduction"³⁷ in the political realm. The debates in the UK surrounding CBI that found favour in both the Conservative and Labour Parties show this pattern, as a new monetary orthodoxy takes hold within all major political institutions that changes both the direction of economic policy and the distributional coalition that informs socio-political policy. There was the desire to see The Bank of England "restructured in order that it can carry out its functions

³¹ Burnham, P. 1999, 46

³² Cuterela, S. 2012, 138

³³ Cuterela, S. 2012, 138

³⁴ Castells, M. 2010, 72

³⁵ Romano, F. 2006, 8

³⁶ Holcombe, R. 2006, 155

³⁷ Watson, M. 2002, 189

in an open and accountable manner"³⁸ by the Labour Party in the run up to the 1997 general election. This is akin to the transparency of the Federal Reserve that made market expectations and produced a form of economic authority that was nominally depoliticised so as signal stable monetary policy.

In the context of citizen disengagement with politics and falling levels of voter turnout across Europe³⁹, with the lowest turnouts occurring in the UK from 1997 to 2005, there was an environment where an individuated voter with "individual-level experiences"⁴⁰ was easier to politically grasp. "Citizens are withdrawing and disengaging from the arena of conventional politics. Even when they vote, and this is less often than before, or in smaller proportions, their preferences emerge closer and closer to the moment of voting itself, and are now less easily guided by cohesive partisan cues"⁴¹. Instead voting patterns are swayed by particular economic and political policies which maintain an economic orthodoxy that produces credibility. New Labour again demonstrated this developing orthodoxy with the desire to signal "credibility in the area of monetary policy", win "the confidence of business"⁴² and create an environment friendly to investment and globalised openness, with an independent central bank a means through which to legitimate this expectation. Thus there began the conflagration of new ideational understandings which supported a neoliberal form of governance, with a changing political map that favoured depoliticised strategies and an understanding of politics as a mass of individuated expectations. The transition from a politicised public toward a disengaged, individuated citizenry provided the material backdrop to these ideational changes.

The Epistemic Community

This conflagration, which brought together material and ideational processes and understandings to develop a political, distributional coalition which redefined both the social welfare function and the voter as an apolitical individual, can be best described as an epistemic community of developed interests, understandings and political machinery that supported CBI as a pillar of a neoliberal governance strategy that changed the lines between public and private, expanding the role of the state's regulatory function while nominally depoliticising this role through its distribution to independent, quasi-state institutions imbued with ideational authority and material power.

An epistemic community here constitutes a set of political and intellectual actors "who share common beliefs about the cause-and-effect relationships in the world and political values concerning the ends to which policies should be addressed"⁴³ whose "ideas can only survive the policy process if they find political sponsors willing to champion this reform". Their adoption usually comes about through forms of political debate that both play to developing ideational paradigms amongst politicians, as with the development of median voter theory and the belief in a narrowed electorate in lieu of a mobilised party-political public, and are politically salient, again placed within the context of a loss of mass citizenship and reductions in voter turnout and party membership. These changes also develop in times of crisis, as with the stagflation crises in the US which pushed the ideational framing of inflation away from state-led solutions to market-driven and independent institution-led policies. Thus a process

³⁸ King, M. 2005, 107

³⁹ Mair, P. 2013, Chapter 1

⁴⁰ Mair, P. 2013, Chapter 1

⁴¹ Mair, P. 2013, Chapter 1

⁴² King, M. 2005, 107

⁴³ King, M. 2005, 98

of epistemic construction can be seen, where crises which lead to new forms of ideological framing which place the crisis within a particular understanding. This new understanding then begins to gain political viability by changing the ideational nature of politics⁴⁴, and recreating the distributional coalitions which form the political function of governance.

The epistemic community of modern financial orthodoxy developed during the case of Bank of England independence was borne of the politico-social circumstances mentioned. Further, a history of politicised rate setting by the previous Conservative governments which was seen as contributing to large boom-and-bust cycles produced a political climate that made CBI salient⁴⁵. A change in the epistemic functioning of economic policy, with the rise of monetarism and discourses of depoliticisation, came hand-in-hand with the concept of a depoliticised median voter that wasn't particularly partisan or ideological, instead focused on the needs of consumerism and livelihood. The concept of mass parties and their widespread bases began to disappear as they withdrew "from their intermediary position between their constituents and the state"⁴⁶, meaning the political framework through which monetary and economic policies are judged is changed. CBI can be seen as a development of political and ideational shifts, with changing voter bases coming hand-in-hand with economic crises that changed the direction of monetary policy.

The ideational framing of the wider epistemic community that is produced is not itself fallible though. It relies on constructed variables and a view of depoliticisation that sees the realm of the state actually expand (as in the case of increased central bank regulatory power) through an effective re-regulation of markets involving "the creation of a genuinely integrated global market"⁴⁷. Policy is set on the expectation of price stability and the development of monetary institutions that are placed on the border of state and market. The assumptive variables that inform this epistemic logic include the naturalness of international economies of scale, a belief in financial rationality and a narrow understanding of political/democratic debate.

The assumption of international scale as a natural phenomenon of market activity itself is a politicised variable. Seeing it in the light of globalisation as a paradigm shift, the concept of scale as always trending toward "bigness" is seen as "inevitable or positively beneficial"⁴⁸, constituting a part of economic orthodoxy. In this regard, institutions that can reassign tasks to an international level and develop a rules-based "automaticity"⁴⁹ are the main task of globalised policy. A related example is that of the expansion of US economic power through its large levels of financial capital, which allowed it to internationalise domestic deficits through currency markets such as the burgeoning Eurodollar markets⁵⁰. Such internationally-scaled power originated from the US state's power of "numeraire" status⁵¹, showing the political origins of financial/monetary power.

Financial rationality acts as another assumptive variable that suggests a degree of naturalness while actually having ideational and political origins and consequences. The concept of an innate rationality suggests a scientific discourse with discoverable truths that are practically

⁴⁴ King, M. 2005, 99

⁴⁵ King, M. 2005, 113

⁴⁶ Streeck, W. 2014

⁴⁷ Burnham, P. 1999, 46

⁴⁸ Sale, K. 2007, 309

⁴⁹ Burnham, P. 1999, 47

⁵⁰ Cafruny, A. & Ryner, J.M. 2007, 146

⁵¹ Cafruny, A. & Ryner, J.M. 2007, 146

irrefutable⁵², acting as the axiomatic foundation of economic activity. However, they are a political matter, being "new forms of discipline, regulation, and surveillance" that "are introduced to promote economic growth under difficult conditions of realisation and to control or neutralise those populations excluded from its benefits"⁵³, making finance into an autonomous/depoliticised arena while expanding the means of state regulation.

The limits and borders of debate surrounding finance and monetary policy are also changed, with public debate and accountability becoming limited and regulated. The boundaries that govern debate are narrowed, producing a narrowed dialogic democracy, one that encourages an "autonomy of communication"⁵⁴, but where the means and aims of such communication is restricted to particular outcomes and ideological pathways. In effect, debates over the regulative aspects of finance are kept as technical considerations that aren't open to the public. They are tacitly ignored with debate seen as largely irrelevant in the face of the median voter and the maintenance of consensus politics. Such can be seen with the move from incomes policies in the US to a narrowed focus on inflation reduction (through CBI) as the apex of financial governance. Policy options, and the realms of debate, are significantly narrowed.

These variables are part of the make-up of the epistemic community, where the boundaries of debate and politics are significantly changed, limiting the accountability of financial and monetary affairs and understanding politics as an outside variable, something to be codified and limited. However, the nation-state still retains "important juridical and managerial functions required to facilitate capital accumulation", thus maintaining a political factor by changing the ideational framing through which politics is understood, taking on the discourses of financial rationality and international scale as natural phenomena, and narrowing dialogue/debate around these orthodoxies.

Conclusion

The recent central bank-led reaction to the 2008 Financial Crisis is an example of the continuing influence of a wider epistemic community of politico-economic orthodoxy (with its focus on regulative rules and regulations and the desire to shape markets indirectly and apolitically) whereby the response was to maintain pre-crisis conditions through quantitative easing (which aimed to uphold asset prices and lending⁵⁵) and extremely low interest rates. Thus there remained an attempt to shape expectations through the lens of an apolitical locus of financial power. The epistemic community, when taken wider to include the gamut of political interests and ideational factors, shows that CBI is not separable from the wider political discourses that shape it. In this case, it was to maintain the politico-economic orthodoxy of increasing home prices, a maintained middle class and high levels of private debt that fuelled consumer spending.

In the lead up to the crisis, economic bubbles were used as policy tools to plug gaps in the economy caused by productivity slumps and anaemic wage growth⁵⁶, using historically low interest rates as a policy that plugged "the gap between consumption and income"⁵⁷. In this regard, central banks cannot be viewed as rational economic stewards, but are instead

⁵² de Goede, M. 2005, 254

⁵³ de Goede, M. 2005, 255

⁵⁴ Giddens, A. 1994, 115

⁵⁵ Croucher, S. 2016

⁵⁶ Alpert, D. & Hockett, R. 2016, 1

⁵⁷ Alpert, D. & Hockett, R. 2016, 6

politicised actors whose actions signal the intent to defend "both a social structure of accumulation based on monetary orthodoxy and also the particular interests incorporated into that structure"⁵⁸. The full reality is that with the era that produced CBI, there have been reduced growth rates (2.9% in the US since 1980) and the optimisation of price control and maintaining expectations over growth and employment⁵⁹. CBI can thus be seen as a politicised variable, with inflation as the main variable of debate in the narrowed dialogic democracy surrounding finance. Such politicised intent is borne in that wider epistemic community, that constructs processes of shared understandings and policies. It aims to nominally depoliticise policy-making procedures, giving them a veneer of natural rationality that is inherent to a capitalist market system. Such can be seen with the policy of transparency pursued by the Federal Reserve in the 90s and the development of Bank of England independence, both of which were borne from innately political and ideational debates. Their development came from a neoclassical/neoliberal conception of economic governance that viewed the state as responsible for inflation and boom-and-bust cycles, and that viewed the global market and independent institutions as the best stewards for monetary policy and financial stability.

However this does not mean that financial and monetary policies are themselves inherently apolitical. They are reliant on a constituted regime of shared concepts and, as seen with the 2008 financial crisis and the subsequent response of states and central banks, are fallible and problematic. In further problematising and critiquing this financial orthodoxy, there should be an aim to open up financial discourses, creating a financial genealogy that is motivated "by finding insecurities and uncertainties in that which is represented as stable, coherent and self-perpetuating"⁶⁰. This can show that central banks, as constitutive institutions in the wider frameworks of finance, do not simply act as regulators but also as producers of discourse and outcomes. A space of freedom can emerge that democratises finance, allowing for a full gamut of disaggregated interests to make claims on the distribution of capital and financial power. It can also open up the concept of dialogic democracy to reveal a plurality of politico-economic truths. It could pull apart the financial trasformismo that assimilates and transforms⁶¹ pluralistic concepts of finance and central banking into a singular, rationalised narrative. Fundamentally, it should be recognised that the dialectical processes within financial discourse suggests the instability of power, as it contains a fallible constitution that must continually reproduce itself through different means. This shows the construction of CBI is a political process that involves debate, interpretation and the development of understandings that must assimilate and use politics.

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⁵⁸ Watson, M. 2002, 195

⁵⁹ Widmaier, W. 2007, 55-56

⁶⁰ de Goede, M. 2005, 262

⁶¹ Gill, S. 1993, 55

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