

The politics of central banking  
(Workshop endorsed by the ECPR Political Economy Standing Group)

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The global financial crisis that began in 2007 marked a critical juncture for central banks in the advanced industrial world. In the two decades leading up to the financial crisis, most central banks gained operational independence to set monetary policy and many came to focus narrowly on one objective: maintaining a low and steady rate of inflation. Since 2008, central banks in recession-struck Western countries have dramatically recalibrated their monetary policies in an effort to boost demand and kick-start their stagnating economies. Simultaneously, they have given new emphasis to the objective of maintaining financial stability, in addition to their existing focus on price stability. Central banks in these countries have reinterpreted their existing authority and they have had new authority conferred upon them. They are playing leading roles in the formation of 'macroprudential' policy frameworks, which aim to identify and mitigate 'systemic' risks to financial stability. Major central banks have also been entrusted with new responsibilities for ensuring the safety and soundness of systemically important banks and other financial institutions. Cumulatively, these developments may be regarded as a 'great reversal' of pre-crisis trends towards decreasing central bank participation in prudential regulation and supervision (cf. Masciandaro et al. 2012).

These changes have the potential to shed new light on questions that are central to the disciplines of comparative political economy (CPE) and international political economy (IPE). From a CPE perspective, divergent trajectories of change in the mandates and organizational structures of central banks present fertile ground for testing theories of institutional change, policy transfer and cross-border convergence and divergence in modes of economic governance. Similarly, central banks' varied monetary policies and their differential implementation of new macroprudential ideas about financial regulation help reveal the material, institutional and ideational factors that shape domestic regulatory reform. From an international perspective, the rise to prominence of new ideas about financial stability in transnational networks of central bankers offers insights into the mechanisms by which new international policy regimes emerge. Furthermore, the increasing prominence of transnational regulatory forums in which central bankers are dominant, such as the Basel Committee on Banking Supervision and the Financial Stability Board, is a development worthy of scholarly attention in its own right. At both the domestic and transnational levels, central banks' expanding range of competencies also invites reflection on the changing balance between public and private sources of authority in the production of financial market regulations.

Transformations in central banking are not only academic concerns. Affecting asset prices, risk premia and global investment flows, unconventional monetary policies such as 'quantitative easing' have

important distributional consequences. Likewise, central banks' regulatory actions alter the costs and benefits of particular forms of financial intermediation. By affecting the volume and price of lending, prudential policies also affect which businesses have access credit for investment and which prospective homeowners will be able to buy a home. Such policies have the potential to threaten central banks' independence, as adversely affected groups lobby them, and their political masters, for more favorable treatment. To the extent that central banks remain isolated from such pressures, their expanded roles also give rise concerns over their democratic accountability.

The workshop has two overarching objectives. First, it aims to assemble new theoretically-informed and empirically-rich analyses of how the authority and economic functions of central banks have changed in response to the ideational, economic and socio-political pressures of the financial crisis. Second, it aims to bring together evaluations of the political and economic consequences of such changes, from the distributional effects of new monetary and financial policies, to the potential for structural change in national and international processes of financial intermediation.

We would welcome a range of studies that might fit into one of the following indicative categories:

- (1) Contextual reviews of the state-of-the art of existing knowledge about delegation to central banks and the political-economy of central bank governance in relation to monetary policy and financial stability policy.
- (2) Comparative case studies of change (and/or continuity) in central bank policies, mandates or organizational forms, including central banks in advanced and emerging countries.
- (3) Analyses of changes in processes cooperation and coordination between central banks at the European and international levels of governance.
- (4) Assessments of the impact of changes in central banking, especially the distributional consequences of unconventional monetary policies and new approaches to prudential regulation.
- (5) Policy-oriented studies of the differential political independence and democratic accountability of central banks exercising enhanced financial stability powers after the financial crisis.