

Central Banks, Democratic States and Financial Power

When the US Federal Reserve, European Central Bank and Bank of England purchased bank and state debt during the 2007–2010 crisis, it became clear, yet again, that when technically divorced from fiscal policy, monetary policy cannot revive but only prevent economic activity from deteriorating further. Pixley explains how the money production of the democracies and the immense money creation by capitalist banking put burdens on central banks; often neither socially useful nor peaceful. Central banks cannot be politically neutral and, despite unfair demands, are unable to prevent collapses to debt deflation from bank credit/asset inflations. They can foster debilitating depressions and hardships but not the recoveries desired in democracies, nor touch secret war finance demands. Drawing on economic sociology and history, this book appeals to readers interested in democracies, banks and central banking's ambivalent, if hopeful, potentials, via comparative and distributive perspectives.

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JOCELYN PIXLEY
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V. J. Carroll

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Acknowledgements

Fieldwork on this book started around 1998. My earlier work on the relation between citizenship and employment left me wondering why its importance became diminished in high policy circles, and why financial sectors had grown so fast. What were the connections to the end of full employment in these developments? I had pointed gloomily to the radical ideas of the 1970s that were converted into conservative policies. Central banks of the USA and UK sacrificed so many to joblessness; others followed but, the longer I interviewed those involved, the more I found things were not as they seemed. Modest improvement seems to be ruled out despite catastrophic financial crises that many informed sceptics worried about (to me). In consequence, I looked at histories of various dramatic central banking changes and different central bank models at the time when democracy held out promise to new generations, over depressions and world wars.

My turn to comparative monetary history is the reason I dedicate the book to V. J. Carroll, firm believer in history and sociology; and scholar of the Bank of England and the US Federal Reserve. Formerly editor-in-chief of the *Sydney Morning Herald* and *Australian Financial Review*, Carroll is respected as Australia's foremost intellectual defender of the Fourth Estate and honourable journalism. Vic's encouragement has substance: he also alerted me to Australian monetary histories about the extraordinary developments over the twentieth century. These show how a central bank constructed on social democratic lines grew from the 1900s under Labor Commonwealth Governments. It was different from most central banks, and faced incessant backlashes from Australia's banking sector, global finance sectors, the Bank of England and hegemonic pound sterling, which was rapidly taken over by the US dollar.

xiv ACKNOWLEDGEMENTS

The relations of central banks to governments and to banking in war and peace – economic activity, stagnation or warfare – became more vivid with this counter example, about which Vic Carroll has discussed explanations with me. The Bank of Canada has a slightly similar model that broadened my comparisons, albeit mainly preoccupied with the US Fed.

Many gave terrific help; Geoff Ingham, as ever, with timely references, and importantly the work on central banks that I did with Shaun Wilson and Sam Whimster. We learned a lot from each other; Geoff Harcourt kindly gave his time in numerous phone calls and so on, as did Shaun and Sam. I mention my thanks (given elsewhere) to all the decent people whom I interviewed from the US Federal Reserve, the Bank of England, the Reserve Bank of Australia and later the Banca d'Italia and Bank of Greece. In fact, revisiting their transcripts, some of twenty years ago, has given historical insights to this book.

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