Index

anchors see nominal anchors
Andrews, David, 99–100, 105–9
Arendt, Hannah, 168
Argentina, 110, 150
Asian crisis (1997), 163, 167, 204, 233
Australia, 150, 232
authority
credit ratings, 201
delegated authority, 174–6
intersubjectivity and credibility, 176–88
sources of central bank authority, 12, 162–76
Aykens, Peter, 163, 169, 176
Bagehot, Walter, 14
Baker, Howard, 63
Baker, James, 173
Bank for International Settlements (BIS), 5–6, 69, 230
Bank of England
Bank Charter Act (1844), 119–21, 126
currency stability, 72
debt monetization, 72
discount rate, 59, 118–19, 156
exchange rate policy, 67
global liquidity crunch 2007, 94
gold standard, suspension of rules, 127
historical bond yields, 139
independence, 129
Libor, 59
money creation, 28
nationalization, 77
nineteenth-century conflict of interest, 156
nineteenth-century discretion, 130–3
South Sea bubble, 62
transparency, 214–15, 220
Bank of Japan
independence, 129
transparency, 220–1
window guidance, 78–81, 103–4, 135, 221
bank notes, 55–7, 74, 120, 162
banks see central banks; commercial banks
barter economy, 34
belief, 161, 164
Bell, Stephen, 177, 178
Bernanke, Benjamin, 187, 227
Best, Jacqueline, 204–5
bimonetary economies, 134–5
Biersteker, Thomas, 169–70
bills of exchange, 75–6
Blyth, Mark, 183–4
bond markets
communication needs, 192
disintermediated bonds, 76, 191, 196, 227
Federal Reserve and, 203
irrational expectations and shared understandings, 139–41
monetary policy force-multipliers, 192
bond rating agencies, 6, 41, 51, 199–202, 229
Bordo, Michael, 121, 123
Brazil, 232
Bretton Woods system, 6, 10, 21, 51, 114, 115, 180
Index

Brown, Gordon, 129
Burns, Arthur, 54, 73
Bush, George W., 227
Camdessus, Michel, 125
Canada, 232
Cantor, Richard, 200
capital mobility, 124–6, 178, 190
capitalism, institution, 88–9
Carew, George, 165
Cargill, Thomas, 80
Carter, Jimmy, 177–8
Carville, James, 189
central bank independence
BIS role, 232
contingency, 128–9
credibility enhancement, 77, 180
delegated authority, 174–6
goal independence, 151–2, 222
grants, 222–3
instrument independence, 151, 222, 223
intersubjective expectations, 187
meaning, 1–2
nominal anchor, 124–5
objectives, 153
power relations, 101
stampede, 124–5
trend, 5
central banks
assets and liabilities, 32–3
communications, 214–21
constructivist development, 9
cooperation, 229–32
credibility see credibility
credit allocation, 77–81, 102–5
debt monetization, 71–7, 98–101
deontic powers, 9, 57–83, 222–3
discount rates, 118–19
exchange rates, 66–8, 96–8, 227–9
exogenous source of money supply, 38
financial stability, 61–6, 93–6
global financial governance, 229–32
independence see central bank independence
lenders of last resort, 61–6, 93, 225
money creation and destruction, 15
creation through credit, 26–30
deontic power, 39–61, 91–2, 191
destruction procedure, 30–3
mystique, 14, 161, 164, 170–1, 176
rate determination, 59–61, 91–2
rational secrecy, 209–14
reserve management, 68–71, 96–8
risk socialization, 61–6, 93–6
sources of authority, 12, 162–76
transparency see transparency
Chicago School, 153, 158
China, 65, 74, 98, 112–13
cigarette money, 33–4
city-states, 72
Clinton, Bill, 189
Cohen, Benjamin, 4, 65, 72–3, 108, 110, 162, 234
collateralized debt obligations (CDOs), 37, 94
commercial banks
assets and liabilities, 31–2
deontic powers, 225–6
money creation, 29, 225
origins, 28
commodity theory of money
meaning, 14–16
monetarism, 24–5
money as medium of exchange, 25–33
money as store of value, 17–25
money as unit of account, 33–5
neoclassical economics, 16–17
communications
changing norms, 214–21
need, 192
strategies, 196–8
constitutive power relations
credit allocation, 102–5
debt monetization, 98–101
deontic and interactive, 83–91
interest rate determination, 91–2
international monetary relations, 103–13
liquidity provision, 93–6
risk socialization, 93–6
constitutive rules
constitution of meaning, 48–50
constitutive rules (cont.)
gold standard, 120–1
money relations, 52–3, 55
power relations, 85–91
constructivism
development of central banks, 8–10
international relations, 209
meaning of transparency, 193
theories of power, 10, 85–91
Corrigan, Gerald, 62–4, 168
credibility
adjudication, 51–2, 190, 195, 199–202, 226–9
assessments, 190
bank notes, 57
central banks, 1–3
importance, 76–7
intersubjectivity and authority, 176–88
social networks, 12, 164–9
definitions, 176–8
gold standard, 117, 124–7
money supply restrictions, 68
credit
allocation, 77–81, 102–5
constitutive rules, 52–3
debt monetization, 71–7, 98–101
endogenous money creation, 26–30
expansion, 75
money as promise, 35–44
securitization, 191
see also window guidance
creditworthiness see credibility
critical theory, 182
Cunliffe Committee Report (1918), 118
currency unions, 135
Cutler, A. Claire, 169
Dam, Kenneth, 115, 119–20, 132, 133
Darman, Richard, 146
Deane, Marjorie, 74, 80, 177
deflation, gold standard, 154–8
delegated authority, 174–6
Delors, Jacques, 153, 167, 168
democracy, 29
deontic powers
adjudication of credibility, 190, 195, 199–202, 226–9
bond markets, 191
central banks, 9, 57–83, 222–3
commercial banks, 225–6
constitutive and interactive, 85–91
credit allocation, 77–81, 102–5
debt monetization, 71–7, 98–101
exchange rates, 66–8, 96–8, 227–9
finance ministries, 223–4
FOREX markets, 227–9
institutions and, 51–4
international monetary relations, 10, 105–13
language and, 50
liquidity provision, 61–6, 93–6
meaning, 49–50
money creation and destruction, 15, 59–61, 91–2, 191
rating agencies, 51–2, 199–202, 229
reserve management, 68–71, 96–8
risk socialization, 61–6, 93–6
status indicators, 51–3, 57
deontology
assignment of functions, 48–50
definition, 49
gold standard, 119–23
institutional facts and, 46–50
second order deontology, 68
derivatives, 37, 234–5
devaluation, 42
developing countries
central bank independence, 180
currencies, 227
directed lending, 77–81
domestic credit, 70
foreign exchange pressures, 233
IMF remedies, 156
independence of central banks, 129–30
inflation, 74–5
reserves, 70, 150–1
Dickens, Charles, 45
directed lending see window guidance
discretion see rules
disintermediated bonds, 76, 191, 196, 227
dollarization, 64–5, 134, 180
double entry bookkeeping, 31
Duvall, Raymond, 84–92, 96, 99, 102, 104
Index

economic sociology, 55–6
Ecuador, 64
Eichengreen, Barry, 118, 124–6, 132, 133
electronic money, 52
euro, 7, 112, 113, 115
European Central Bank accountability, 205
Chinese currency and, 65
delegated authority, 176
faith in, 161–2, 166
French monetary policy and, 108
global liquidity crunch, 94
inflation targeting, 148, 232
mandate, 7
transparency, 219–20
exchange rates
adjustable pegs, 65–6
constitutive power relations, 96–8
deontic powers, 66–8, 227–9
fixed rates, 116
floating rates, 116, 191
pegged rates, 64–6, 134–5
see also gold standard
expert systems, 36

facts
significance, 45
see also institutional facts

faith, 161, 164, 170–1

Federal Reserve
1987 crash and, 62–4, 95
Banking Act (1933), 161
bond markets and, 203
changes in operating systems, 142–7
debt monetization, 71, 98
definition of money, 16
discount rate, 61, 67, 118–19
exchange rate powers, 67
Federal Funds, 60
Federal Funds rate, 27, 61
global liquidity crunch, 94
Great Depression and, 155–8
independence, 128–9
intersubjective expectations, 187–8
monetarist experiment, 15–16, 141, 144–7, 158, 186
money creation, 59
money destruction, 30–1
mystique, 38–9, 170–1
regulatory role, 161
transparency, 214–19
trust in, 166–8, 172–4
Ferguson, Niall, 72, 110, 136, 139–40, 160, 165–7
fiat money, 2, 8, 26, 54, 60, 61, 162–76
finance ministries, powers, 223–4
Finnemore, Martha, 52, 170, 174–5
Fischer, Irving, 24–5
Fischer, Stanley, 57–8, 73, 86, 91, 136, 211–12
Fitch, 199
floating exchange rates, 116, 191
Ford, Henry, 1
foreign exchange markets
challenges, 233–4
deontic powers, 227–9
see also exchange rates
Fracasso, Andrea, 208–9
France
Banque de France, 28, 77, 132
kings defaulting on debts, 166
monetary policy, 108
Nine Years' War, 28
Frankel, S. Herbert, 36–8, 40–2
free standing Y terms, 52–3
Friedman, Charles, 177, 211, 213
Friedman, Benjamin, 177, 192, 204–5
Friedman, Milton, 15, 23–5, 33, 136, 141–2, 155
Fry, Julius, 206

Galbraith, John Kenneth, 114, 210
Gavin, Francis, 21–2
Genoa, 28
Gensberg, Hans, 208–9
Germany
Federal Bank, 22, 59, 153, 167
Hitlerian economics, 77–8
inter-war hyperinflation, 74
Reichsbank, 132
Giddens, Anthony, 36
Gladstone, William, 49
global liquidity crunch 2007, 94
globalization, 190, 212
goal independence, 151–2, 222
“gold bugs,” 21
gold–dollar convertibility, 19–23, 38, 51, 115
gold pool, 231
gold standard
abandonment, 162
BIS role, 231
Bretton Woods system, 6
capital mobility, 124–6
contingent rules, 127–8
credibility, 117, 124–7
deflation, 8, 18–21, 154–8
deontologies, 51, 119–23
discretionary rules, 130–3
gold holdings, 20
nineteenth-century sovereign debts, 136
nominal anchor, 18–21, 126
periods, 114–15
replacement, 123, 139
return, 158–60
rules, 11, 117–27
Goodhart, Charles, 136, 211
governance
best practice, 7
central banking cooperation, 229–32
discretion v. rules, 151–2
disintermediation and, 191
financial governance networks, 222–9
multilevel, 4–7
national level, 5
overview, 4–7
private transnational level, 6
prospects, 13, 232–5
public transnational level, 5–6
social meaning, 4
supranational level, 7
transparency as governance, 196–8
government debt
disintermediated bonds, 76, 196
long-term treasury bonds, 195
monetization, 71–7, 98–101
sovereign credit rating, 51–2, 199–202, 227
Grabel, Ilene, 182–3
Great Depression, 11, 19–20, 149, 154–8, 160–1
Great Inflation, 54, 73, 141, 146, 180, 213
Greenspan, Alan, 18, 39, 62–4, 95, 146, 167–8, 177, 187–8, 195, 210, 212, 216, 227
Greider, William, 29–31, 36–8, 71, 155–6, 170–1
Haan, Jakob de, 206–7
hedge funds, 234–5
Henry IV, king of France, 165
Hitler, Adolf, 77
Hong Kong, 51, 79, 112, 150
Hoover, Herbert, 155, 156
Huang, Haizhou, 211
Hume, David, 39–40, 117, 118, 120
Hungary, 232
Hutchinson, Michael, 80
Ichimada, Hisato, 78
International Monetary Fund (IMF), 5–6, 51–2, 125, 156, 180, 204, 226, 230
independence see central bank
independence
inflation
government debt monetization, 72–4
monetarist theory, 15, 24, 73
political immorality, 30
reports, 208–9
residential property, 212–13
surprises, 209–14
targeting, 148–9, 204–5, 232–3
Ingham, Geoffrey, 26, 72, 75, 181, 182, 225
institutional facts
assignment of functions, 48–50
creation, 56
credit rating, 202
deontology and, 46–50, 81–3
meaning, 45–6
institutions
definitions, 54, 56
deonatic powers and, 51–4
enabling, 87
money as institution, 9–10, 54–7
instrument independence, 151, 222, 223
interest rates
constitutive power relations, 91–2
Index

discount rates, 118–19
monetarism, 142
international monetary system
  gold standard periods, 114–15
  history, 114–15
  periods, 114–15
  power relations, 10
  rules, 114–16
intersubjectivity
  bond markets, 139–41
  credibility and, 176–88
  intersubjective v. rational expectations, 3, 13, 202
  monetary operating systems, 142–52
  social purposes of monetary policy, 179–83
  transparency and, 12–13, 191–6
  changing norms, 214–21
Israel, 232
Issing, Otmar, 11–12, 161–2, 164, 167, 176, 205
Ito, Takatoshi, 80
Japan
  bubble economy, 103–5
  post-war recovery, 78
  yen as reserve currency, 115
see also Bank of Japan
Johnson, Lyndon, 21–3, 153, 173–4
Johnson, Tom, 19
Kelsey, Jane, 203
Keynes, John Maynard, 6, 29, 34, 42, 73, 141, 153–4, 179, 183
Kindleberger, Charles, 185–6
King, Mervyn, 14
Knapp, Georg Friedrich, 42–4
Kohn, Donald, 216
Kratochwil, Friedrich, 39–40, 47, 50, 75, 77, 81
Kydland, Finn, 121, 123
L-money, 17
  language, importance, 50
  legal tender, 43, 55, 162
  limited liability corporations, 52–3
  Lindsey, Lawrence, 216
  liquidity crunch (2007), 94
  liquidity provision, 61–6, 93–6
Louvre Accord, 229
M-1 money supply, 16
M-2 money supply, 16, 17
M-3 money supply, 17
McDonough, William, 216
McDougall, James, 157
Macleod, Henry Dunning, 35
Malaysia, 79
Martin, William McChesney, 54, 153, 173–4
mathematics, 46
Maxfield, Sylvia, 58, 137, 191
Mayer, Martin, 64, 77, 173, 189, 215, 217
Mellon, Andrew, 156
Meltzer, Alan, 155
metallist fallacy, 23
Mexico, 151, 232
Meyer, Lawrence, 210–11, 217–19
Minehan, Kathy, 216
modernity, trust and, 36
monarchy, 90
monetarism
  abandonment, 162, 181
  experiment, 15–16
  Federal Reserve, 15–16, 141, 144–7
  inflation and, 15, 24, 73
  political implications, 25–6
  quantity theory of money, 24–5, 181
  replacement anchor, 21
  rise and fall, 8
  self-fulfilling belief, 186
  Simons’s rejection, 158–9
  transparency, 142
monetary systems
  discretion v. rules, 141–2
  intersubjectivity, 142–52
  social purposes, 179–83
monetary unions, 135
money
  constitutive rules, 55
  creation and destruction creation through credit, 26–30
deontic power, 15, 59–61, 91–2, 191
destruction procedure, 30–3
money (cont.)
definition, 16–17
electronic money, 52
functions, 17
assignment, 49
as institution, 9–10, 54–7
as intersubjective scale of value, 35
medium of exchange function,
25–33, 57, 164
as promise, 13, 35–44, 75
religion, 176
social character, 2–3, 7–8
state function, 42–4
store of value function, 17–25, 56–7,
122, 164
trust and, 35–44
unit of account function, 33–5, 57,
162, 164
money supply
central banking power, 14
endogenous creation through credit,
26–30
monetarist theory, 24–5
rules, 136
Moody’s, 6, 51
mortgages, 53
Mosely, Layna, 187
Mullins, David, 168
Mussa, Michael, 114, 125–6, 128
NAIRU (non-accelerating inflation rate
of unemployment), 210–11
Napoleon, 28
near monies, 8
neoclassical economics
banking independence, 2
capital mobility, 124–5
central bank functions,
certainty, 109
commodity theory of money,
16–17
IMF economists, 204
rational expectations, 181–3
transaction costs, 26
window guidance and, 81
neoliberalism
capital mobility, 124–5
power relations, 85
public transnational governance, 6
neorealism, 84
new international financial
architecture, 163
New Zealand, 148, 232
Newton, Isaac, 19
Nicene Creed, 161
Nine Years’ War, 28
Nixon, Richard, 23, 54
nominal anchors
central bank independence, 124–5
challenges to new anchors, 232–5
gold standard, 18–21, 126
gold standard replacement, 123,
139
international monetary system,
115
replacement anchors, 8, 21, 38,
82–3
rules and discretion, 11
transparency, 13
Norris, George W., 155–6
orthodox monetary theory
critique, 7–8
money as medium of exchange,
25–33
money as store of value, 17–25
money as unit of account, 33–5
Packer, Frank, 200
Panama, 64
Philippines, 150
plastic cards, 23
Plaza Accord, 229
Poland, 232
political economy, 25–6
power relations
constructivist theories, 10, 85–91
deonitic, constitutive and interactive,
85–91
international monetary relations,
10
understudied, 84–5
Pringle, Robert, 74, 80, 177
promises
credibility, 57, 76–7
evaluation, 41
money as promise, 13, 35–44, 75
moral agency, 41–2
Thai crisis, 70–1
Pufendorf, Samuel von, 77
Index

quantity theory of money, 24–5, 181
rate determination, 59–61, 91–2
rating agencies, 6, 41, 51, 199–2, 229
rational expectations
central bankers’ faith in, 197–8
intersubjective expectations and, 2–3, 13, 202
theory, 181–3
transparency and, 193–5
rational secrecy, 209–14
Reagan, Ronald, 62, 146, 173
reputation, 103–4
reserves, 68–71, 96–8, 149–51
residential property, inflation, 212–13
risk socialization, 61–6, 93–6
Roosevelt, Franklin, 157–8
Rosenau, James, 1, 4
Rostow, Walt, 22
Rubin, Robert, 167, 188
Ruggie, John Gerard, 180
rules
contingency, 127–30
contemporary arrangements, 128–30
gold standard, 127–8
withdrawal, 133–5
discussion/rule dichotomy, 10–11, 135–41
bond markets, 139–41
governance, 151–2
historical debate, 153–62
monetary operating systems, 141–2
time inconsistency paradigm, 137–9
discretionary rules, 130–3
withdrawal, 133–5
fixed exchange rates, 116
floating exchange rates, 116
gold standard, 117–27
inflation targeting, 148–9
international monetary order, 114–16
intersubjectivity and, 142–52
reserve requirements, 149–51
Sarkozy, Nicolas, 108
Sayers, R. S., 153
Schacht, Hjalmar, 77–8
Schumpeter, Joseph, 27
Schwartz, Anna Jacobson, 155
Searle, John, 7, 10, 45–7, 49–52, 54, 56, 87, 174
seigniorage, 19, 72, 74, 98
Shiller, Robert, 184–6
Simons, Henry C., 11–12, 153–5, 158, 162, 176, 189, 206
Sinclair, Timothy, 191, 201–2
Singapore, 79
slavery, institution, 88–9
Smith, Adam, 34
social networks, 164–9
sound, 46–7
South Korea, 79, 232
South Sea bubble (1720), 62
sovereign debt rating, 51–2, 199–202, 227
species, 17–25
stability
central bank function, 61–6, 93–6
price stability, 57
privileged status, 183
stable money as public good, 29–30, 183
Standard and Poor’s, 6, 51
state, money definition and, 42–4
Stiglitz, Joseph, 210
Strong, Benjamin, 60–1
subprime mortgages, 37, 94
Summers, Lawrence, 167
Sutton, Gregory, 200–1
Swedberg, Richard, 55–6
Sweden, 150, 232
Switzerland, 150
symbolic tokens, 36–7
Taiwan, 79
Thailand, 68, 70–1, 79
time inconsistency, 137–9, 182, 210–13
Toniolo, Gianni, 20, 114–15, 117, 124, 230
totalitarianism, 90
transparency
as governance, 196–8
case for, 202–7
changing norms, 214–21
communication need, 192
transparency (cont.)
   financial governance networks, 222–9
   intersubjectivity and, 12–13, 191–6
   meaning, 192–3
   monetarism, 142
   monetary governance systems, 189–91
   monetary policy force-multipliers, 12, 138, 192, 193
   objectives, 153
   rational secrecy and surprise, 209–14
   strategies, 207–14
   trend, 3

Truman, Edwin, 115

trust
   affective bonds, 168–9
   contemporary sources of authority, 162–76
   money as promise, 13, 35–44, 75
   religious language, 161, 164, 170–1, 176
   social networks, 12, 164–9
   transparency and, 197

United Kingdom
   definition of money, 16
   gold standard, 19–20, 119–21
   historical monetary leadership, 110
   inflation targeting, 148, 232
   Napoleonic Wars, 127
   reserve requirements, 150
   shipping finance, 160
   sterling crisis, 231
   value of sterling, 112
   see also Bank of England

United States
   1987 crash, 62–4
   dollar as reserve currency, 112, 115
   exchange rate, 67
   Federal Deposit Insurance Corporation, 161
   free banking, 126
   Glass–Steagall Act, 160
   gold–dollar convertibility, 19–23, 38, 51, 115
   gold holdings, 21–3
   Great Depression, 154–8, 160–1
   hedge funds, 234
   inflation levels, 137
   interbank borrowing, 59
   international settlements in dollars, 70
   monetary policies, 227
   value of dollar, 112
   see also Federal Reserve

Venice, 28
Vickers, John, 210
Vietnam war, 21
Volcker, Paul, 15–16, 30, 39, 144–7, 158, 166–7, 178, 186

Walter, Andrew, 110–11
war, 139–40
Weber, Max, 55–6
Wendt, Alexander, 47, 48, 84, 90, 184
Werner, Richard, 78–80, 103–4
window guidance, 77–81, 102–4, 135, 221
Wong, Anna, 115
Woodward, Bob, 168, 214
World Bank, 226
Wyplosz, Charles, 208–9
Yam, Joseph, 112