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978-1-107-14966-3 - Central Banks at a Crossroads: What Can We Learn from History?

Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

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CENTRAL BANKS AT A CROSSROADS

Throughout their long history, the primary concern of central banks has oscillated between price stability in normal times and financial stability in extraordinary times. In the wake of the recent global financial crisis, central banks have been given additional responsibilities to ensure financial stability, which has sparked intense debate over the nature of their role. Bankers and policy makers face an enormous challenge finding the right balance of power between the central bank and the state.

This volume is the result of an international conference held at Norges Bank (the central bank of Norway). International experts and policy makers present research and historical analysis on the evolution of the central bank. They specifically focus on four key aspects: its role as an institution, the part it plays within the international monetary system, how to delineate and limit its functions, and how to apply the lessons of the past two centuries.

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Frontmatter

[More information](#)

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Frontmatter

[More information](#)

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Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)

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Continued after Index

Cambridge University Press

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Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)

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Frontmatter

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978-1-107-14966-3 - Central Banks at a Crossroads: What Can We Learn from History?

Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)

Contents

<i>Editors and contributors</i>	page ix
<i>Preface</i>	xvii
<i>Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau, and Jan F. Qvigstad</i>	
1 Introduction	1
<i>Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau, and Jan F. Qvigstad</i>	
2 The Descent of Central Banks (1400–1815)	18
<i>William Roberds and François R. Velde</i>	
3 Central Bank Credibility: An Historical and Quantitative Exploration	62
<i>Michael D. Bordo and Pierre L. Siklos</i>	
4 The Coevolution of Money Markets and Monetary Policy, 1815–2008	145
<i>Clemens Jobst and Stefano Ugolini</i>	
5 Central Bank Independence in Small Open Economies	195
<i>Forrest Capie, Geoffrey Wood, and Juan Castañeda</i>	
6 Fighting the Last War: Economists on the Lender of Last Resort	231
<i>Richard S. Grossman and Hugh Rockoff</i>	
7 A Century and a Half of Central Banks, International Reserves, and International Currencies	280
<i>Barry Eichengreen and Marc Flandreau</i>	

Cambridge University Press

978-1-107-14966-3 - Central Banks at a Crossroads: What Can We Learn from History?

Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)

viii	<i>Contents</i>	
8	Central Banks and the Stability of the International Monetary Regime <i>Catherine Schenk and Tobias Straumann</i>	319
9	The International Monetary and Financial System: A Capital Account Historical Perspective <i>Claudio Borio, Harold James, and Hyun Song Shin</i>	356
10	Central Banking: Perspectives from Emerging Economies <i>Menzie D. Chinn</i>	387
11	The Evolution of the Financial Stability Mandate: From Its Origins to the Present Day <i>Gianni Toniolo and Eugene N. White</i>	424
12	Bubbles and Central Banks: Historical Perspectives <i>Markus K. Brunnermeier and Isabel Schnabel</i>	493
13	Central Banks and Payment Systems: The Evolving Trade-off between Cost and Risk <i>Charles Kahn, Stephen Quinn, and William Roberds</i>	563
14	Central Bank Evolution: Lessons Learnt from the Sub-Prime Crisis <i>C. A. E. Goodhart</i>	610
15	The Evolution of Central Banks: A Practitioner's Perspective <i>Andrew G. Haldane and Jan F. Qvigstad</i>	627
	<i>Index</i>	673

Cambridge University Press

978-1-107-14966-3 - Central Banks at a Crossroads: What Can We Learn from History?

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Frontmatter

[More information](#)

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Cambridge University Press

978-1-107-14966-3 - Central Banks at a Crossroads: What Can We Learn from History?

Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)

x

Editors and contributors

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978-1-107-14966-3 - Central Banks at a Crossroads: What Can We Learn from History?

Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)*Editors and contributors*

xi

Project 1816–2016. Selected publications include: *The econometrics of macroeconomic modeling* (with G. Bårdsen, E.S. Jansen and R. Nymoen) (2004), *Twenty Years of Inflation Targeting. Lessons learned and future prospects* (2010, co-edited with D. Cobham, S. Gerlach and J.F. Qvigstad), *A Monetary History of Norway 1816–2016* (2016, with J.T. Klovland and L. F. Øksendal).

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Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)

xii

Editors and contributors

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Frontmatter

[More information](#)

Editors and contributors

xiii

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Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)

xiv

Editors and contributors

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Cambridge University Press

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Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)

Editors and contributors

xv

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Frontmatter

[More information](#)

Preface

In 2016, the Norwegian central bank, Norges Bank, celebrates its bicentennial. This is a timely occasion to ask what is really at the core of central banks and central banking, and what defines them as institutions? Both academic experts and central bank policymakers are curious to know more about this, and developments after the global financial crisis have further stimulated this curiosity.

Internationally a number of national histories of central banks have been published in the past decades, e.g. on the Bank of England, the Federal Reserve, the Swedish Riksbank and the Bank of Finland. Our approach is inspired by the broad coverage of the historical evolution of central banks up to 1994 when the Bank of England celebrated its tercentennial.¹ Around that time the academic literature focused specifically on inflation control and central bank independence. Twenty years later, and with recent experiences of the global financial crisis in mind, we have learnt that a stable monetary system requires more than inflation control and independence. A stable monetary system requires that the three dimensions of a trinity of price stability, financial stability and a well-functioning payment system are all jointly in place, acknowledging of course their mutual interdependence. Neither the institutional accounts nor the scholarly studies which have appeared are in anyway competitors, but must be seen as complementary to our book which highlights evolutionary aspects of central banks and central banking.

Already in 2011 we started the planning of a broad, research-based, international study of the evolution of central banks and central banking

¹ A great inspiration has been the book by Capie F., C.A.E. Goodhart, S. Fischer and N. Schnadt (1994), *The Future of Central Banking: The Tercentenary Symposium of the Bank of England*, Cambridge University Press.

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978-1-107-14966-3 - Central Banks at a Crossroads: What Can We Learn from History?

Edited by Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau and Jan F. Qvigstad

Frontmatter

[More information](#)xviii *M. D. Bordo, Ø. Eitrheim, M. Flandreau, and J. F. Qvigstad*

over the past 200 years. We thank Stefano Ugolini in particular for his input and contributions in the planning process. In the summer of 2012 a broad range of research along these lines was commissioned from 14 different teams of authors, most of them merited international academic experts and policymakers. Representatives from all 14 teams first met at a pre-conference at the Graduate Institute of International and Development Studies (Centre for Finance and Development) in Geneva 25–26 April 2013. The papers were subsequently revised and presented at the Norges Bank conference *Of the Uses of Central Banks: Lessons from History*, held in Oslo on 5–6 June 2014. After a new round of author revisions, responding to comments made by the discussants and participants at the conference, all drafted chapters were finished in March 2015. We would like to extend our thanks to all the authors for devoting a share of their valuable time to prepare their contributions to this project. And Norges Bank want to express our deepest gratitude to the network of international academic experts on central banking and monetary history, with whom we have had the pleasure to interact since the Norges Bank Bicentenary Project 1816–2016 was started a decade ago. The inner core of this network has included Michael D. Bordo, Forrest Capie, Marc Flandreau, Lars Jonung, Gianni Toniolo and Eugene White.

*Oslo, 4 April 2016***Michael D. Bordo****Øyvind Eitrheim****Marc Flandreau****Jan F. Qvigstad**

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Frontmatter

[More information](#)

Preface

xix

NORGES BANK'S BICENTENARY PROJECT 1816-2016

Norges Bank publishes four books in conjunction with its 200th anniversary in 2016:

- M. D. Bordo, Ø. Eitrheim, M. Flandreau and J. F. Qvigstad (editors) (2016). *Central Banks at a Crossroads: What Can We Learn from History?* Cambridge University Press.
- Ø. Eitrheim, J. T. Klovland and L. F. Øksendal (2016). *A Monetary History of Norway 1816-2016*. Cambridge University Press.
- E. Lie, J. T. Kobberrød, E. Thomassen and G. F. Rongved (2016). *Norges Bank 1816–2016*. Fagbokforlaget. (In Norwegian only).
- H. Bøhn, Ø. Eitrheim and J. F. Qvigstad (editors) (2016). *Norges Bank 1816–2016. A Pictorial History*. Fagbokforlaget. (In Norwegian and English).

The work on these books started in 2007. Michael D. Bordo, Rutgers University, New Jersey; Øyvind Eitrheim, Norges Bank; Marc Flandreau, Graduate Institute of International and Development Studies, Geneva; and Jan F. Qvigstad, Norges Bank have constituted the steering group for Norges Bank's Bicentenary Project 1816–2016.

COVER IMAGES

The cover images show the proposed motifs for the new Norwegian 100-krone banknote ©2014 Norges Bank. The obverse side of the notes (top) shows the 9th century Gokstad vikingship with the Norwegian designed bow X-BOW®, a design owned by Ulstein Design & Solutions AS, in the background. The reverse of the notes (bottom) bears a pixel motif of a cargo ship on the horizon. The motifs are proposals from Metric and T. Tønnessen, and Snøhetta respectively, selected after an artistic competition arranged by Norges Bank. The design of the finished notes may deviate somewhat from the competition proposals.