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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The titles in this series investigate themes of interest to economists and economic historians in the rapidly developing field of macroeconomic history. The four areas covered include the application of monetary and finance theory, international economics, and quantitative methods to historical problems; the historical application of growth and development theory and theories of business fluctuations; the history of domestic and international monetary, financial, and other macroeconomic institutions; and the history of international monetary and financial systems. The series amalgamates the former Cambridge University Press series Studies in Monetary and Financial History and Studies in Quantitative Economic History.

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Central Banks at a Crossroads

What Can We Learn from History?

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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.

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

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NORGES BANK’S BICENTENARY PROJECT 1816-2016

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


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.