

## The Spread of the Modern Central Bank and Global Cooperation

Central banks were not always as ubiquitous as they are today. Their functions were circumscribed, their mandates ambiguous, and their allegiances once divided. The interwar period saw the establishment of twenty-eight new central banks – most in what are now called emerging markets and developing economies. *The Spread of the Modern Central Bank and Global Cooperation: 1919–1939* provides a new account of their experience, explaining how these new institutions were established and how doctrinal knowledge was transferred. Combining synthetic analysis with national case studies, this book shows how institutional design and monetary practice were shaped by international organizations and leading central banks, which attached conditions to stabilization loans and dispatched “money doctors.” It highlights how many of these arrangements fell through when central bank independence and the gold standard collapsed.

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# The Spread of the Modern Central Bank and Global Cooperation

1919–1939

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## Preface

Central banks are among the most prominent agents on the contemporary monetary and financial landscape. Their presence is taken for granted. It is, therefore, striking that as recently as a century ago they were absent from two-thirds of the world's countries. Where they existed, their functions were circumscribed, their mandates ambiguous, their allegiances divided.

In the 1920s and 1930s an unprecedented number of new central banks were established, most in what are now called emerging markets and developing economies. Some were founded in the wake of and response to the experience of wartime inflation. Others sprang up along with the creation of new states. All of them pledged allegiance to monetary cooperation and the international gold standard, with the goal of fostering credibility and confidence, and thereby gaining access to global financial flows.

This book provides a new account of their experience. It explains how these new institutions were established and how doctrinal knowledge, emphasizing the virtues of central bank independence and the gold standard, was transferred from countries with a longer history of central banking, while also highlighting the unforeseen and sometimes unfortunate consequences. It shows how institutional design and monetary practice were shaped by international organizations and leading central banks that attached conditions to their stabilization loans and dispatched 'money doctors' to treat monetary disfunction and gain disciples, not to mention financial business. It highlights how these arrangements came to grief in the 1930s, with the collapse of both central bank independence and the gold standard. It tracks the implications of the subsequent

reaction, which rendered central banks less independent but also, paradoxically, more powerful.

For help in completing this volume, we are most grateful to the governor of the Bank of Greece, Professor Yannis Stournaras, who gave us an early opportunity to discuss the emergence of interwar central banks at a conference he hosted in Athens. Governor Stournaras and Panagiotis Panagakis, director of the Bank's cultural department, have been steadfast supporters of this project from the outset. We would also like to thank Christina Linardaki for her assistance in the preparation of the book's index, as well as our authors, for their contributions and for enduring several rounds of editing to arrive at what we hope is a volume that is more than just the sum of its parts.