Communicative Imperatives in Central Banks

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> For the first time [August 12, 2003], the [Federal Open Market] Committee (FOMC)] was using communication—mere words—as its primary monetary policy tool. Until then, it was probably common to think of communication about future policy as something that supplemented the setting of the federal funds rate. In this case, communication was an independent and effective tool for influencing the economy. The FOMC had journeyed from "never explain" to a point where sometimes the explanation *is* the policy.[1]
>
> Janet L. Yellen, Chair, Board of Governors of the Federal Reserve System

Public Currency

Central bankers have for three or four decades been engaged in a deep, albeit implicit, anthropological exploration, a search for new means by which monetary affairs could be anchored conceptually—not to gold or to regimes of fixed exchange rates—by means of an evolving relationship with the public, a relationship in which our predicaments could serve as the

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1. Janet L. Yellen, Vice Chair, Bd. of Governors of the Fed. Reserve Sys., Remarks at the Society of American Business Editors and Writers 50th Anniversary Conference: Communication in Monetary Policy 8–9 (Apr. 4, 2013), *available at* http://www.federalreserve.gov/newsevents/speech/yellen20130404a.pdf.

fulcrum of policy.[2]

The public has been recruited to participate in the staging of this drama by means of persuasive analytical stories intended to shape expectations and, thus, economic behavior prospectively.[3] This evolving communicative relationship is sustained and enlivened by research, research that—among other things—continually gleans the descriptive, explanatory, and interpretive labor of economic actors, incorporating their intelligence for the purposes of formulating policy. The challenge for central bankers, many of whom had a hand in designing this regime, is to navigate and manage the shifting grounds upon which members of the public are becoming protagonists in monetary affairs and upon which their circumstances are becoming the imperatives of and for policy.

My research has not been about the financial crisis per se, rather it is about the creation of a monetary regime—a regime impelled by a series of communicative experiments that predates the crisis and that has continued to be refined and modified in the teeth of the unfolding turmoil.[4] This compendium of experiments—in which we are all participants, knowingly or not—has, however, been instrumental in the management of some of the most vexing circumstances that arose in the wake of the failure of financial markets after the collapse of Lehman Brothers in September 2008.[5]

Known narrowly and rather prosaically as "inflation targeting," these experiments established the intellectual architecture and the regulatory mechanisms of a monetary system that I have defined[6] in relationship to the concept of a "public currency," a term used in passing by Mervyn King, Governor of the Bank of England between 2003 and 2013.[7] At the heart of this regime is a far-reaching premise: the public broadly must be recruited to collaborate with central banks in achieving the ends of monetary policy, namely "stable prices and confidence in the currency."[8]

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2. *See* Serge Jeanneau, Communication of Monetary Policy Decisions by Central Banks: What is Revealed and Why 6-7 (2009), *available at* http://www.bis.org/publ/bppdf/bispap47.pdf.

3. *See* Yellen, *supra* note 1, at 6.

4. *See* Alan S. Blinder, The Quiet Revolution: Central Banking Goes Modern (2004); Ben S. Bernanke, Chairman, Bd. of Governors of the Fed. Reserve Sys., Remarks at the Federal Reserve Bank of Kansas City Economic Symposium: Monetary Policy since the Onset of the Crisis, 9 (Aug. 31, 2012), *available at* http://www.federalreserve.gov/newsevents/speech/bernanke20120831a.pdf.

5. *See generally* Janet Roitman, Anti-Crisis (2013); Gillian Tett, Fool's Gold: The Inside Story of J.P. Morgan and How Wall Street Greed Corrupted Its Bold Dream and Created a Financial Catastrophe (2010); David A. Westbrook, Out of Crisis: Rethinking Our Financial markets 54-55 (2010); Claudio Borio, Keynote Address at the European Money and Finance Forum-National Bank of Poland Conference "Monetary Policy after the Crisis": Central Banking Post-Crisis: What Compass for Unchartered Waters? (Mar. 4, 2011), *available at* http://www.suerf.org/download/warsaw11/presentations/0borio.pdf.

6. Douglas R. Holmes, Economy of Words: Communicative Imperatives in Central Banks (2014).

7. *See, e.g.*, Mervyn King, *Richard T. Ely Lecture: The Institutions of Monetary Policy*, 94 Am. Econ. Rev. (Papers & Proc.) 1, 2 (2004).

8. *Core Purposes*, Bank of England, http://www.bankofengland.co.uk/about/Pages/corepurposes/default.aspx (last visited Jan. 2, 2014).

In 2001, I began examining the intellectual routines that inform contemporary practices of central banking. After a preliminary visit to the New York District Branch of the Federal Reserve, the project shifted to Frankfurt, headquarters of the European Central Bank and the Deutsche Bundesbank. Over the last decade, the project expanded and I have pursued research at the Reserve Bank of New Zealand, the Swedish Riksbank, and the Bank of England. In the background of the study is an ongoing assessment of the policies and practices of the United States Federal Reserve.

Beyond my attention to central bankers' research—the research upon which monetary policy is formulated—I have been concerned with a particular aspect of work within these institutions, namely, the drafting of technical reports, writing of speeches, crafting of presentations, compiling of briefing documents, and composing of policy statements.[9] Far from being routine records of institutional matters, these documents are prepared for the purpose of shaping economic and monetary conditions prospectively, as instruments of persuasion.[10]

In this regard, I followed initially the method developed by Bruno Latour in his classic study, *The Pasteurization of France* (1988).[11] Latour demonstrated how a revolution in the science of bacteriology unfolded as a *communicative* phenomenon serialized by means of prestigious scientific journals *Revue Scientifique*, *Annales de l'Institut Pasteur* and *Concours Médical*.[12] These journals not only reported contemporaneously on the development of scientific discoveries, but they also endowed the revolution with intellectual form and content that ultimately, as Latour demonstrates, transformed not merely hygiene and public health but the fundamental fabric of French society.[13] The communicative dynamics operating within the field of monetary policy are far more consequential insofar as, Annelise Riles asserts, markets themselves are a function of language (personal communication).[14]

I tracked the reports serialized in the Monetary Policy Statement of the

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9. *See* Julia Elyachar, *Regulating Crisis: A Retrospective Ethnography of the 1982 Latin American Debt Crisis at the New York Federal Reserve Bank*, 1 VALUATION STUD. 147 (2013).

10. *See* Annelise Riles, *Real Time: Governing the Market after the Failure of Knowledge*, Northwest Law, Law & Economics Research Paper 01-2 (2001), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=272598; Annelise Riles, *Introduction: In Response*, *in* ARTIFACTS OF MODERN KNOWLEDGE 1-38 (Annelise Riles ed., 2006) [hereinafter Riles, *Introduction*]; KAUSHIK SUNDER RAJAN, BIOCAPITAL: THE CONSTITUTION OF POSTGENOMIC LIFE (2006).

11. *See* BRUNO LATOUR, THE PASTEURIZATION OF FRANCE (Alan Sheridan & John Law, trans., 1993).

12. *See id.* at 3-12.

13. *Id.*

14. ANNELISE RILES, THE NETWORK INSIDE OUT 25-27 (2000) [hereinafter RILES, THE NETWORK INSIDE OUT]; Riles, *Introduction*, *supra* note 10; Annelise Riles, *Real Time: Unwinding Technocratic and Anthropological Knowledge*, 31 AM. ETHNOLOGIST 392, 396-98 (2004); ANNELISE RILES, COLLATERAL KNOWLEDGE: LEGAL REASONING IN THE GLOBAL FINANCIAL MARKETS 11 (2011).

Reserve Bank of New Zealand (RBNZ),[15] the Monthly Bulletin of the European Central Bank (ECB),[16] the Monthly Report of the Deutsche Bundesbank,[17] the minutes of meetings and reports of the Monetary Policy Committee of the Bank of England (MPC),[18] and the minutes of the Executive Board of the Sveriges Riksbank's Monetary Policy Meeting.[19] Using these and other documents, I show how the regular communication of central bank policy assessments plays a decisive role in the emergence and refinement of a monetary regime over and above the articulation of specific policy positions. Rather than the reception or efficacy of policy statements, which central banks believe they can measure quantitatively, it is the crafting and modeling of collaborative relationships with the public that is the most radical feature of this regime. My thesis here is that these policy statements are not merely expressing an interpretative account or commentary; they are *making* the economy itself as a communicative field and as an empirical fact.[20]

In what follows, I discuss the imperatives driving the creation of a public currency. I examine how communication operates as regulation, how "mere words," as Janet Yellen averred, can serve as a central bank's

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15. *See Monetary Policy*, RES. BANK OF N.Z., http://www.rbnz.govt.nz/monetary_policy/ (last visited Jan. 2, 2014).

16. *See Monthly Bulletin*, EUR. CENT. BANK, http://www.ecb.europa.eu/pub/mb/html/index.en.html (last visited Jan. 2, 2014).

17. *Current Monthly Reports*, DEUTSCHE BUNDESBANK, http://www.bundesbank.de/Navigation/EN/Publications/Monthly_reports/monthly_reports.html (last visited Jan. 2, 2014).

18. *See, e.g.*, BANK OF ENG. MONETARY POLICY COMM., AGENTS' SUMMARY OF BUSINESS CONDITIONS (July 2010), *available at* http://www.bankofengland.co.uk/publications/Documents/agentssummary/agsum10jul.pdf; BANK OF ENG. MONETARY POLICY COMM., BANK OF ENGLAND/NOP INFLATION ATTITUDES SURVEYS (JUNE 12, 2013), *available at* http://www.bankofengland.co.uk/publications/Pages/other/nop.aspx; BANK OF ENG. MONETARY POLICY COMM., INFLATION REPORT (May 2011), *available at* http://www.bankofengland.co.uk/publications/Documents/inflationreport/ir11may.pdf; BANK OF ENG. MONETARY POLICY COMM., INFLATION REPORT (May 2010), *available at* http://www.bankofengland.co.uk/publications/Documents/inflationreport/ir10may.pdf; BANK OF ENG. MONETARY POLICY COMM., MINUTES OF THE MONETARY POLICY COMMITTEE MEETING (JULY 7 AND 8, 2010), *available at* http://www.bankofengland.co.uk/publications/minutes/Documents/mpc/pdf/2010/mpc1007.pdf; BANK OF ENG. MONETARY POLICY COMM., MINUTES OF THE MONETARY POLICY COMMITTEE MEETING (July 6 and 7, 2011) [hereinafter Bank of England 2011 Minutes], *available at* http://www.bankofengland.co.uk/publications/minutes/Documents/mpc/pdf/2011/mpc1107.pdf; BANK OF ENG. MONETARY POLICY COMM., The Transmission Mechanism of Monetary Policy (May 1999), *available at* http://www.bankofengland.co.uk/publications/Documents/other/monetary/montrans.pdf.

19. SVERIGES RIKSBANK, SEPARATE APPENDIX TO THE RIKSBANK'S COMMUNICATION POLICY (April 2, 2009), *available at* http://www-riksbank-se.cdn.episerverhosting.com/Pagefolders/40148/nr34e_appendix_communication_policy09.pdf; SVERIGES RIKSBANK, MINUTES OF THE EXECUTIVE BOARD'S MONETARY POLICY MEETING (April 20, 2009) [hereinafter SVERIGES RIKSBANK April 20, 2009], *available at* http://www.riksbank.se/en/Press-and-published/Minutes-of-the-Executive-Boards-monetary-policy-meetings/2009/Minutes-of-the-Executive-Boards-monetary-policy-meeting-on-20-April-2009/.

20. *See* Douglas R. Holmes, *Economy of Words,* 24 CULTURAL ANTHROPOLOGY 381, 384–403 (2009).

"primary monetary policy tool."[21]

I focus on a series of paradigmatic episodes examining the critical labor words performed in interpellating the public as protagonists in the creation and regulation of monetary affairs.[22] In the first instance, this monetary regime emerges from a series of deep and perhaps unlikely predicaments rooted in data and apprehensions about the nature of information. These "epistemic anxieties," as Ann Stoler calls them, yielded equally unlikely modalities of research establishing a range of collaborations with various segments and strata of the public.[23] Analytical models—the "machineries of knowing," as Karin Knorr-Cetina terms them[24]—that orchestrate research practices in central banks must be viewed also as machineries of *relation*, capable of articulating policy to address both the distinctive and the shared circumstances of individuals and firms who are continually modeling and transacting economic relationships. How does this work?

Epistemic Networks

> "[I]t is really interesting when you kind of, if you like, almost take the anthropological approach, to the global crisis"
> Timothy Besley, Member of the Monetary Policy Committee of the Bank of England (2006–2009)[25]

George Marcus and I, drawing on an insight from Raymond Williams, have noted that if the industrial age was—as Williams and many others have suggested—predicated on the rise of statistical and quantitative intellectual modalities,[26] then the information age is predicated on the ascendancy of ethnographic and interpretative modalities. These latter modalities have, we have argued, been broadly assimilated, though unmarked, across virtually every domain of technocratic practice.[27]

Central banks—most notably the Bank of England—cultivate networks of interlocutors that generate what amounts to ethnographic knowledge about the *social* and *cultural* character of the economy animated by pre-

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21. Yellen, *supra* note 1.

22. *See* Louis Althusser, Lenin and Philosophy and Other Essays 127, 127–76 (Ben Brewster trans. 1971).

23. Ann L. Stoler, Along the Archival Grain: Epistemic Anxieties and Colonial Common Sense (2008).

24. *See, e.g.*, Karin Knorr-Cetina, Epistemic Cultures: How the Sciences Make Knowledge 2–10 (1999); Karin Knorr-Cetina, *Culture in Global Knowledge Societies: Knowledge Cultures and Epistemic Cultures*, 32 Interdisc. Sci. Rev. 361, 361–64 (2007).

25. *BOE's Besley Says Control of Public Finances Is "What Counts"* (Bloomberg Radio May 26, 2009), *available at* http://dailysplice.com/directory/Bloomberg-Economics-podcast/episode-396061#.

26. *See* Raymond Williams, Politics and Letters: Interviews with New Left Review (1981).

27. Douglas R. Holmes & George E. Marcus, *Cultures of Expertise and the Management of Globalization: Toward the Re-Functioning of Ethnography*, *in* Global Assemblages: Technology, Politics, and Ethics as Anthropological Problems, 235, 235–252 (Aihwa Ong & Stephen J. Collier eds., 2005).

cisely the contextual and situational information that is typically stripped out from conventional macroeconomic and financial analysis. Conversations with and among these contacts constitute the communicative interchanges by which central bankers simulate the economy "in the wild" or "in vivo," as Michel Callon and his colleagues have termed it, in order to enter the arena of contemporaneous decision-making by businesspeople and by the public.[28] The Bank of England has a small staff of regional agents that is continually assessing business conditions in the field.[29] The bank has twelve Agencies that operate across the UK and report inferentially on the current state of economic conditions.[30] Each of these modest regional offices consists of an agent, one or two deputy agents, and a small number of support personnel.[31] Along with a coordinator based in London, the agents manage what is regarded as the most sophisticated network for gleaning contemporaneous intelligence on the state of the economy of any central bank in the world.[32]

The agents cultivate an epistemic network of interlocutors linked informally to secondary and tertiary networks of countless other contacts, forming the circuitry of a vast communicative field across which "economic intelligence" is continually created.[33] Diverse groups of contacts perform descriptive, explanatory, and interpretive labor, refining the conceptual nature of economic phenomena in real time. The efficacy of monetary policy rests in large measure, on the representational enterprise of these contacts with which central banks must ultimately orchestrate the contingencies of economic stability and growth. Periodically, the members of the MPC, including the Governor, accompany agents on these forays into the field.[34]

For example, Timothy Besley, while he was one of the nine members of the MPC, described in May 2009 the character of the field research that regional agents routinely conduct:

> Well you know I spend a lot of my time, and it has been one of the joys when I have been on the [MPC], talking to businesses. In fact, only last week I was out on the road 40, 50 miles away from London talking to a number of businesses and it is really interesting when you kind of, if you like, almost take the anthropological approach, to the global crisis. You sit down, perhaps with an entrepreneur, somebody who is in a small business, could be a midsize business, and they give you their own window on the global crisis, and what is interesting about that is each of them will have their own particular story about how it is hitting them. And while in the end we talk of these big macro trends, it's really pretty fascinating to see how it plays out in a

28. *See, e.g.*, Michel Callon, *Some Elements of a Sociology of Translation: Domestication of the Scallops and the Fishermen of St. Brieuc Bay*, *in* Power, Action, and Belief: A New Sociology of Knowledge?, 196, 196–223 (John Law ed., 1986).

29. Phil Eckersley & Pamela Webber, *The Bank's Regional Agencies,* 43 Bank Eng. Q. Bull. 92, 93 (2003).

30. *Id.* at 93–94.

31. *Id.* at 93.

32. *See id.* at 96.

33. *See id.* at 92–93.

34. *Id.* at 95.

> particular context. One thing you quickly learn though, there is no single model of how the global crisis is evolving at that micro level even though the big picture trends are very familiar.[35]

Having explicitly acknowledged the complementary relation between the intellectual practices of anthropologists and central bankers, Professor Besley made his own ethnographic observation, noting that during his sojourns in the field he observed the ebbs and the flows of what he termed the "currency of confidence," a phenomenon that was neither fully nor necessarily evident from his conventional purview as an economist.[36] "We hear time and time again," Besley continued, that "the currency of confidence is hugely important to people who run businesses.[37] Something I perhaps learned as an economist, we do talk about animal spirits and we talk about the psychology of confidence, but [it is] something I guess I hadn't quite appreciated as much as I do now as I go on the road."[38] Going into the field opened interpretative insights for Besley, insights on how the decisions that he was making as a member of the MPC shaped expectations and animated or subverted confidence.[39] His purview permitted access to the motives and reflections of protagonists operating in various domains of business allowing him to engage the *creative* dynamics of the economy in vivo—dynamics not merely or necessarily reducible to Adam Smith's invisible hand and Alfred Marshall's supply and demand curves.[40]

Besley, and his colleagues on the MPC, draw on the intellectual acumen of networks of actors across the UK to creatively engage the foundational dynamics of the economy rooted in learning and in experience.[41] Crucially, Besley was not invoking an anthropological purview to illustrate an idiosyncratic practice of the Bank of England, but rather to gain purchase on its core concern, the dynamics of confidence (i.e., the cumulative manifestation of those sentiments impelling and shaping expectations). The Bank actively aligns its policy with the expertise of thousands of contacts and with their insight into the various predicaments that they face.[42] By so doing, the Bank demonstrates how the efficacy of monetary policy rests on the enterprise of these contacts—distinct from the abstract "rational actors" of classical economic theory—but, again, protagonists with whom the bank must orchestrate the contingencies of economic stability and growth.

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35. Bloomberg Radio, *supra* note 25.
36. *Id.*
37. *Id.*
38. *Id.*
39. *Id.*
40. *See id.*; *see also* David G. Blanchflower, Member of the Bank of Eng. Monetary Policy Comm., Bernard Corry Memorial Lecture at Queen Mary, University of London: Recent Developments in the UK Economy: The Economics of Walking About, (May 30, 2007) *available at* http://www.dartmouth.edu/~blnchflr/papers/speeches/speech310.pdf; N. Gregory Mankiw, *The Macroeconomist as Scientist and Engineer* 8 (Nat'l Bureau of Econ. Research, Working Paper No. 12349, (2006), *available at* http://www.nber.org/papers/w12349.
41. Riles, The Network Inside Out, *supra* note 14.
42. Holmes, *supra* note 6, at 166–79; *see also* Blanchflower, *supra* note 40, at 7–8.

As we seek to render data increasingly precise, reliable, abstract, and "scientific," we strip away information—social, historical, and cultural—that is crucial for understanding key issues defining the contemporary world. This is hardly a novel insight. It is a central preoccupation of Émile Durkheim in his classic treatise, *On Suicide,*[43] a study in which he explores the process of denaturing phenomena by virtue of empirical scrutiny in a manner that both informs and obstructs analytical understanding.[44] This is a particularly relevant challenge for central bankers, who are acutely aware of the limitations of the analytical tools that they employ and who understand implicitly the historically situated, socially constructed, and culturally encumbered nature of data. They have assimilated ethnographic modalities—permitting alternative constructions and interpretations of information—to perform what I initially thought were compensatory analytical maneuvers, but that I now am inclined to see as distinctive, though typically unmarked, intellectual practices that address the circumstances of contemporary knowledge production in technocratic settings.[45] Here are two examples.

There are two major historical insights or discoveries that the Bank of England's epistemic network is credited with capturing. In the mid-1990s during a period of unanticipated price moderation, the agents of the bank were able to provide a compelling explanation.[46] Their contacts were telling them that their costs were moderating because of China.[47] This was at a time when there was little statistical evidence and a general skepticism among economists that Chinese suppliers could influence global prices because of the then relatively small size of the Chinese economy.[48] The consistent articulation of this fact on the part of a range of contacts was increasingly persuasive to the agents and they in turn were able to convince members of the MPC of this reality long before it became a widely understood phenomenon, and certainly before it became apparent in statistical aggregates.[49]

Similarly, early in the last decade, contacts explained the unexpected moderation in wages across the UK in terms of new patterns of immigration from Eastern and Central Europe.[50] Immigration from the new accession countries of the EU expanded available labor, most notably in the booming construction industry, thus stemming constraints on the labor market that would otherwise have led to upward pressures on wages and

43. Emile Durkheim, Suicide: A Study in Sociology (1951).

44. See Michael M. J. Fischer, *Culture and Cultural Analysis as Experimental Systems*, 22 Cultural Anthropology 1, 17 (2007).

45. *See also* Joseph Masco, *"Survival Is Your Business": Engineering Ruins and Affect in Nuclear America*, 23 Cultural Anthropology 361, 381–82 (2008).

46. *See* Holmes, *supra* note 6, at 162–63.

47. *See id.*

48. *See id.* at 162.

49. *See id.*

50. *See* Sara Lemos & Jonathan Portes, *New Labour? The Impact of Migration from Central and Eastern European Countries on the UK Labour Market* 2 (Inst. for the Study of Labor, Discussion Paper No. 3756, 2008).

prices.[51] The shifting dynamics of the UK labor market were not fully evident from the standpoint of conventional statistical measures and yet the accounts of contacts in the field strongly expressed it.[52] In both instances, it was the contacts themselves who took the initiative of persuading the agents and the bank of decisive shifts in economic conditions that were, at best, dimly evident statistically or entirely invisible.[53]

These two historical calls raised the visibility and the credibility of the Bank of England's network.[54] However, as the financial crisis unfolded in late 2008, the agents' role and the value of the epistemic network were further enhanced.[55] This intensified the requirement for up-to-date information to inform policy decisions, the need for refined appraisals of expectations and outlooks, and the demand for information on credit conditions, balance sheets of businesses, wages, prices, and employment. The network could be employed to pursue specific questions in "real time," used to systematically question businesspeople in the midst of the crisis, and generate an abundance of information creating intricate representations of an economy in severe disequilibrium.[56]

There is, however, another, deeper source of epistemic anxiety that continually encroaches on the regulatory regimes of central banks: the future.

The Future

Many years ago, I examined the economic dilemmas and cultural predicaments that had for centuries circumscribed the lives of a rural population in northeast Italy. During that work, I encountered a question that perplexed my subjects and continues to perplex me. These rural folk, descendants of peasants who had lived for roughly a thousand years under a profoundly cruel and unjust agrarian system—enforced by a brutal regime of numerical accounting—had undergone a change in outlook.[57] They became, in the latter part of the twentieth century, susceptible to a very un-peasant-like sentiment. To their surprise, and to mine, they were experiencing something that might be construed as "hope," if not, "optimism."[58] This hope was predicated upon the totality of promises conferred on Italian citizens in the wake of the Second World War; the

51. David G. Blanchflower et al., *The Impact of the Recent Migration from Eastern Europe on the UK Economy* 32 (Inst. for the Study of Labor, Discussion Paper No. 2615, 2007).

52. *See id.* at 23.

53. *See* Holmes , *supra* note 6, at 162–63.

54. *See id.* at 163.

55. *See id.* at 166, 174.

56. *See id.* at 163–66.

57. *See generally* Douglas R. Holmes, Cultural Disenchantments: Worker Peasantries in Northeast Italy (1989).

58. *See generally id.*; Hirokazu Miyazaki, The Method of Hope: Anthropology, Philosophy, and Fijian Knowledge (2004); Andrea Muehlebach, The Moral Neoliberal: Welfare and Citizenship in Italy (2012); Joseph E. Stiglitz, Selected Works of Joseph E. Stiglitz: Volume I: Information and Economic Analysis (2009).

promises of welfare and dignity that underwrote the European social model reset expectations.[59] The future no longer loomed merely as a matter of dread and despair; it had become for these people a subject with discernable features that could be reflected and acted upon.

In the broadest terms, I have examined how central banks seek to endow the future with discernible features and how these institutions underwrite representations of the future with faith and credit. To do this, I have aligned my research with a series of experiments that I alluded to earlier initially designed by the Deutsche Bundesbank, refined, and formalized as policy by the Reserve Bank of New Zealand. These experiments seek to influence future sensibilities—not merely sensibilities about the future but also sensibilities *in* the future—to shape the expectations that impel the most fundamental dynamic of market economies: the evolution of prices.[60] The bridge to the ephemera of expectations, to sensibilities in the future, is constructed in part with language, through the technical modeling of what I refer to as an economy of words.[61]

The logic guiding these linguistic experiments goes like this: If the behavior of prices is "expectational"—as Irving Fisher,[62] J.M. Keynes,[63] and Knut Wicksell[64] initially proposed—then an anticipatory policy that projects central bank action into the future becomes a means to influence these sentiments.[65] When you and I, as "economic agents," assimilate policy intentions into our own *personal* expectations, we do the work of the central bank.[66]

The instruments developed to manage expectation are expressed most concisely in official statements—typically running between five hundred and a few thousand words—that the major central banks of the world publish every month or two in support of their interest rate decisions that can stimulate, retard, or leave unchanged the pacing of economic activity.[67]

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59. *See* Holmes, *supra* note 57, at 215–18.

60. *See generally* Michael Woodford, *Imperfect Common Knowledge and the Effects of Monetary Policy* (Nat'l Bureau of Econ. Research, Working Paper No. 8673, 2001), *available at* http://www.nber.org/papers/w8673.

61. Holmes, *supra* note 20, at 141–42, 237–39.

62. *See* Irving Fisher, The Theory of Interest: As Determined by Impatience to Spend Income and Opportunity to Invest It 399–451 (1930).

63. *See* John Maynard Keynes, The General Theory of Employment, Interest, and Money (Palgrave Macmillan 2007) (1936).

64. *See* Knut Wicksell, Interest and Prices: A Study of the Causes Regulating the Value of Money 165–77 (R.F. Kahn, trans. 1936).

65. *See* Woodford, *supra* note 60.

66. Vitor Gaspar et al., *Adaptive Learning, Persistence, and Optimal Monetary Policy* 5–7 (Eur. Cent. Bank, Working Paper No. 644, 2006), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=907313; *see also* Athanasios Orphanides & John C. Williams, *Inflation Targeting Under Imperfect Knowledge* 1–2 (Fed. Reserve Bank of S.F., Working Paper No. 2006-14, 2006), *available at* http://www.frbsf.org/economic-research/files/wp06-14bk.pdf.

67. *See, e.g.*, *Bank of England maintains Bank Rate at 0.5% and the size of the Asset Purchase Programme at £375 billion*, Bank of Eng. (Nov. 3, 2013 4:42 PM), http://www.bankofengland.co.uk/publications/Pages/news/2013/010.aspx.

These "econometric allegories," —as Alan Blinder and Ricardo Reis[68] term them, evoking the persuasive labor that these narratives are called upon to perform—draw on the full intellectual resources of these institutions: the research acumen, the judgment, and the experience of their personnel. They forecast economic and financial conditions over a time horizon of approximately one to two years, along with an explanation of how the respective bank's interest policy will maintain consumer prices within an inflation target range of 1%-3% (or around a single target, typically 2%).[69]

In the middle of the last decade, the curious nature of these routine statements and the allegories they encompassed interested me. I began to view them as functioning in a manner that exceeded the requirements of an inflation target per se; I became intrigued with how they served as vehicles for modeling the economy communicatively. Moreover, I gradually recognized how various genres of the monetary policy story modeled those relationships that sustained a public currency. As the research unfolded in Wellington, Stockholm, London, Frankfurt, and Washington, the imperative of a public currency gained increasingly precise articulation.[70] There was, however, earlier research focusing on another central bank that was critical to the development of these ideas and insights.[71]

Creating the Monetary Policy Story

Examining the communicative practices operating within the Bank of Canada, Graham Smart demonstrated how "storytelling" performs a decisive and uncanny heuristic function.[72] Smart provides a basic account of the process of creating monetary policy stories:

> The *monetary-policy story* is constructed in . . . stages, over time and across a set of written genres, with each successive version offering a broader knowledge claim in the form of a more comprehensive account of the state of the Canadian economy. The narrative appears [initially] . . . as a cluster of . . . *sector stories*, specialists' analyses of developments in different sectors of the economy; in the [next] stage, as a more encompassing, although still somewhat circumscribed, narrative about the Canadian economy as a whole, produced by a team of economists during a quarterly activity known as the Projection Exercise and inscribed in a document called the *White Book* . . . .[73]

The storytelling exercise yields, as one Canadian executive put it, "an

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68. Alan S. Blinder & Ricardo Reis, *Understanding the Greenspan Standard* 14 (Fed. Reserve Bank of Kan. City, Symposium, 2005), *available at* http://www.kc.frb.org/publicat/sympos/2005/pdf/blinderreis.paper.0804.pdf.

69. *See, e.g.*, Bank of Eng. *supra* note 67.

70. *See* Holmes, *supra* note 6.

71. *See* Graham Smart, *Storytelling in a Central Bank: The Role of Narrative in the Creation and Use of Specialized Economic Knowledge*, 13 J. of Bus. & Technical Comm. 249, 249 (1999).

72. *Id.* at 251.

73. *Id* at 257.

essential framework for thinking about the economy and about policy,"[74] and the meetings associated with this exercise "provide regular occasions for negotiating competing interpretations of empirical phenomena and statistical data."[75] Yet in its final manifestation, a monetary policy story "is nowhere completely articulated in written form in any internal document; rather, it resides in the executives' discourse, surfacing in meetings and informal conversation, in whole or in part, and underlying certain assumptions and lines of argument in the texts they produce."[76]

These actors freely acknowledge storytelling as implicit in negotiating various levels of formal empirical analysis, notably in reference to the bank's econometric model of the Canadian economy.[77] Specifically, the analytical discussions involved in the management of Bank of Canada's Quarterly Projection Model (QPM) foster the assimilation of "feelings," "intuition," "discretion," and "judgment" of bank personnel.[78] Storytelling, thus, draws on the reserves of "experience" that sustain the shared understandings that make possible the intellectual collaboration of the bank's economists."[79]

A very similar, if not identical, storytelling unfolds in relation to the RBNZ model, the Forecasting and Policy System (FPS), yielding a narrative or narratives open to constant revision and modification as new data and interpretative insights become available.[80] In the first instance, the discussions translate an essentially historical data series and re-articulates it in the future tense as a representation of the evolution of economic activity, notably of paths of economic output, employment, prices, interest rates, and exchange rates.[81] For example, these analytical practices yield a relatively stable baseline scenario of the New Zealand economy—its "central projections"—around which policymakers test and evaluate simulations and a series of alternative policy actions.[82] These evaluations provide opportunities to explore feedback relations and reveal second-round effects.

However, as I have shown, there is a parallel framework for generating economic intelligence that is crucial in the crafting of the monetary policy story. For instance, former Governor Alan Bollard of the RBNZ was in the "field" each month visiting a selection of 500 or more businesses across the North and South Islands that provide strategic perspectives on the New

74. *Id.* at 263.
75. *Id.* at 265.
76. *Id.* at 266.
77. *See id.* at 251, 260.
78. *Id.* at 260–62.
79. *Id.* at 258.
80. *See generally* Felix Delbrück et al., *The Evolution of the Forecasting and Policy System (FPS) at the Reserve Bank of New Zealand* (Reserve Bank of N.Z., Discussion Paper No. DP2008/19, 2008), *available at* http://www.rbnz.govt.nz/research_and_publications/discussion_papers/2008/dp08_19.pdf.
81. *See id.* at 5.
82. *See generally* John McDermott, Assistant Governor and Head of Econ., Reserve Bank of N.Z., Address at Financial Services Institute of Australasia: The Role of Forecasting in Monetary Policy (Mar. 15, 2013).

Zealand economy.[83]

During these visits, the governor and his staff communicated central bank policies and actively solicited stories—anecdotal data—from the employees, managers, and owners of these enterprises.[84] They discussed numerical data, not only contemporaneous reports on the New Zealand economy, but the details and the contradictions that economic statistics typically fail to capture.[85] In these exchanges, they put words not only to the ephemera of local expectations and sentiments, but also to the rapidly changing competitive pressures unfolding in global markets, particularly among New Zealand's key trading partners.[86] This network of interlocutors provides technical representations of the New Zealand economy imparting (or restoring) social mediation and social context to economic analysis.[87]

These situated actors can narrate how shifts in exchange rates or the prices of agricultural commodities and oil, impact the operation of a particular business. These accounts translate the abstractions of price into countless examples of situated social action and experience. Dairy and wool processors, vintners, tour operators, appliance manufacturers, software engineers, real estate brokers, bank officers, trade union representatives, managers of construction firms, and retail outlets all provide social contextualization of economic facts for the governor.[88] The future continually encroaches on these narratives as projections of income, expenditures, and, most significantly, in the articulation of plans for employment and investment by these enterprises. The RBNZ listed over fifty companies and organizations it had consulted during a recent quarterly "projection round" while noting that it had established contact with "other companies and organizations for feedback on business conditions and particular issues relevant to our policy deliberations."[89] These interlocutors were simultaneously the source of bank intelligence and the primary audience for bank communication.

The analytical scenarios that emerge from within and outside the bank undergo a two-fold interpretive process. First, they are recast as essentially

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83. *See,* Reserve Bank of N.Z., Monetary Policy Statement, September 2007 36-37 (2007), *available at* http://www.rbnz.govt.nz/monetary_policy/monetary_policy_statement/2007/sep07.pdf.

84. *See* Nick Smyth, *A Profile of the NZ Dollar Foreign Exchange Market*, 70 Reserve Bank of N.Z. Bull 5 (2007).

85. *See id.*

86. *See generally* Reserve Bank of N.Z., Monetary Policy Statement, December 2009 (2009), *available at* http://www.rbnz.govt.nz/monetary_policy/monetary_policy_statement/2009/dec09.pdf.

87. *See* Holmes, *supra* note 6, at 163-66.

88. Holmes, *supra* note 20, at 400.

89. Reserve Bank of N.Z., Monetary Policy Statement, September 2005 35 (2005), *available at* http://www.rbnz.govt.nz/monetary_policy/monetary_policy_statement/2005/sep05.pdf.

an argument or arguments for a specific policy stance.[90] A small group of senior officials, including members of the MPC and the smaller Official Cash Rate Decision Group (ODG), interpret econometric projections and other data and information, refining them for the purposes of advising the Governor on the setting of the bank's policy rate, the Official Cash Rate (OCR).[91] Second, they are re-articulated as a public statement composed for the purposes of shaping and anchoring expectations on the evolution of prices.[92] An even smaller group of advisors assisted Governor Bollard in drafting these public communications.[93] These individuals craft and edit these statements, and generally oversee the rhetorical expertise of a central bank.[94]

The "Policy Assessment," issued every six weeks by the RBNZ in support of its decision on interest rates represents a key example of these communications.[95] In the example that follows, the explanation of the bank's interest rate decision—the RBNZ's OCR—was made as the financial turmoil that commenced in August 2007 was gaining visibility and assuming urgency.[96] Notably, the central bank decided *not* to alter interest rates; crucially, however, the language that the bank employed to model the economic situation was beginning to shift in anticipation of new sources of risk and uncertainty.[97] The authors of the statement were searching for narrative forms and descriptive conventions that could begin to address and explain the nature of what we know now was an impending debacle:[98]

Monetary Policy Statement, September 2007—Policy Assessment:

> The Official Cash Rate (OCR) will remain unchanged at 8.25 percent. . . .
> The outlook for economic activity and inflation has become more uncertain since we reviewed the OCR in July. Credit concerns and heightened risk aversion have led to significant turbulence in global financial markets. This development increases the likelihood of a weaker economic outlook for the United States and New Zealand's other key trading partners than in recent forecasts.
> The consequences of this financial market turmoil for New Zealand remain unclear at this stage. However, we continue to expect a significant boost to the economy over the next two years from the sharp rise in world prices for dairy products and some other commodities that has occurred over the past year. A sharp decline in the New Zealand dollar since July, if sustained, will act to reinforce the effects of higher world prices on export sector revenues.
> Recent inflation outcomes have highlighted widespread inflation pressures but indicators in recent weeks suggest that previous increases in the OCR

90. *See generally* The Monetary Policy Decision-Making Process, Reserve Bank of N.Z., http://www.rbnz.govt.nz/monetary_policy/about_monetary_policy/0096438.pdf (last visited Nov. 3, 2013).
91. *Id. See also* Alan Bollard & Sarah Gaitonos, Crisis: One Central Bank Governor and the Global Financial Collapse 38–39 (2010).
92. *See* The Monetary Policy Decision-Making Process, *supra* note 90, at 4
93. *Id.* at 4.
94. *See id.* at 4.
95. *See* The Monetary Policy Decision-Making Process, *supra* note 90 at 4.
96. *See* Bollard & Gaitonos, *supra* note 91, at 29.
97. *See generally* Reserve Bank of N.Z., *supra* note 89.
98. *See generally* Bollard & Gaitonos, *supra* note 91.

> are starting to dampen domestic spending, which will help to reduce those pressures. In particular, household borrowing growth is beginning to slow and turnover in the housing market continues to fall.
>
> We expect the effects of stronger export revenues on activity and inflation to be broadly offset by a further braking effect from the interest rate increases undertaken earlier this year. However, in the short-term, CPI inflation is likely to rise due to the effects of a lower exchange rate and higher food prices. It is important that this temporary increase in inflation does not affect price- or wage-setting behaviour in the medium term.
>
> The recent collapse of a number of finance companies and reduced liquidity within the non-bank lending institution sector generally could further act to dampen activity in some areas of the economy, such as property development or consumer financing. However, we currently expect those negative effects to be relatively contained.
>
> At this point, we believe that the current level of the OCR is consistent with future inflation outcomes of 1 to 3 percent on average over the medium term. However, given greater than usual uncertainty at present, we will be watching to see how the upside and downside risks to the outlook are developing.[99]

In this brief passage, the governor of the Reserve Bank of New Zealand captures the remarkably complex pricing phenomena he is charged with managing. At the outset, the central bank's intention is established—that is, to conduct "open-market operations" in a manner that will keep a key short-term interest rate, the OCR, at a specific level (8.25%).[100] In September 2007, this central bank policy rate was one of the highest in the world.[101] The body of Governor Bollard's text concisely explains the monetary policy stance in relation to prevailing conditions in New Zealand and across the globe during an unusually tumultuous period for financial markets.[102]

Implicit in the statement is an underlying commitment to the open communication of the bank's policy, the clarity in explaining the analysis upon which the policy stance is based, and the candor in assessing the elements of uncertainty and risk in the assessment.[103] The statement reiterates the specific inflation target that the RBNZ is committed to achieving, and thus makes the benchmark for assessing the bank's performance explicit and establishes measures of accountability for its governor.[104] The Governors' Policy Assessment prefaces a longer document, the *Monetary*

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99. *See* Reserve Bank of N.Z., *supra* note 83, at 2.

100. *See id.*

101. *Compare Official Cash Rate (OCR) decisions and current rate*, Reserve Bank of N.Z., http://www.rbnz.govt.nz/monetary_policy/ocr/ (last visited Nov. 3, 2013) (showing New Zealand's OCR, or central bank rate in 2007), *with Cash Rate Target Interest Rate Changes*, Reserve Bank of Austl., http://www.rba.gov.au/statistics/cash-rate/cash-rate-2002-2007.html (last visited Nov. 3, 2013) (showing Australia's Central Bank Rate in 2007).

102. *See* Reserve Bank of N.Z. *supra* note 83.

103. Blinder, *supra* note 4; *see also* Alan Blinder et al., How Do Central Banks Talk?: Geneva Reports on the World Economy (Book 3) 1 (2001); Alan Blinder et al., *What We Know and What We Would Like to Know About Central Bank Communication*, VOX (May 15, 2008), http://www.voxeu.org/index.php?q=node/1143.

104. *See generally* Reserve Bank of N.Z., *supra* note 83.

Policy Statement, that, again, under the sway of transparency, describes in considerable detail the economic analyses and projections that inform the current assessment as well as those that are likely to influence future policy developments.[105]

However, a distinctive aspect of the New Zealand inflation-targeting regime is highlighted when the governor drafts the document entirely on his own during particularly important junctures, such as the financial crisis of 2008.[106] The Reserve Bank of New Zealand Act of 1989 established the current monetary framework, and vested an unusual degree of operational independence and personal accountability with the governor.[107] Put bluntly, a single individual was made *personally* accountable for the futurity of prices within an economy at large. Not only does this framework endow the economy with a reflexive voice, it *personifies* that voice in the person of the Reserve Bank Governor.

During my fieldwork in late 2008 and early 2009, I became increasingly interested in how these allegories assumed far greater importance as central bank personnel grappled analytically with some of the most vexing problems in macroeconomics. I observed first in Wellington and then in Stockholm, how personnel faced a double challenge at the outset of the financial crisis. They not only had to draw on state of the art ideas in academic economics for their technical insights, but also had to craft their solutions in a manner that made them plausible to the public central bank personnel, who needed a solution that could be coherently communicated to the public in order to yield effective policy. This maneuver presumed very important shifts, by which economic actors came to be conceived of as thinking and reflexive subjects who are capable of employing theory and parsing the ambiguities of data and the anomalies of information.[108]

Ecology of Discourses

In the following statement—a policy assessment of a mere 233 words—Governor Bollard's analysis shifts markedly as consumer prices in June 2008 were projected to significantly exceed the inflation targets as established in the Policy Targets Agreement (PTA), the formal agreement signed by the Governor and Minister of Finance committing the bank to explicit consumer price inflation targets.[109] The bank's policy rate was maintained at the 8.25% level, as it had been for almost a year.[110] However, yet again, the econometric drama was re-scripted, and the ecology of dis-

105. *See generally id.*

106. Interview with Alan Bollard, Governor, Reserve Bank of N.Z. .

107. *See* Reserve Bank of New Zealand Act 1989, §§ 9, 11, 41 (N.Z.).

108. *See also* Hirokazu Miyazaki, Arbitraging Japan: Dreams of Capitalism at the End of Finance 68 (2013).

109. *See* Reserve Bank of N.Z., Monetary Policy Statement, June 2008 (2008), *available at* http://www.rbnz.govt.nz/monetary_policy/monetary_policy_statement/2008/jun08.pdf.

110. *Id.*

courses that the RBNZ employed to model the situation linguistically and anchor expectations acquired new rhetorical urgency:

Monetary Policy Statement, June 2008—Policy Assessment:

> The global economy is currently experiencing significant increases in oil and food prices. These price increases are occurring at the same time as activity is weakening in many economies in response to the global credit crisis and slowing housing markets. In New Zealand, this confluence of factors is producing a challenging environment of weak activity and high inflation.
>
> We project annual CPI inflation to peak at 4.7 percent in the September quarter of this year. Although much of this reflects higher food and energy prices, underlying inflation pressure also remains persistent. Nevertheless, we do still expect inflation to return comfortably inside the target band over the medium term. This is based on the expectation that commodity prices stop rising, inflation expectations remain anchored, and weakening economic activity contributes to an easing in non-tradable inflation.
>
> The outlook for economic activity is now weaker than in our previous Statement. We project little GDP growth over 2008, and only a modest recovery thereafter, largely reflecting a weaker household sector. Government spending and personal tax cuts will provide some offset to this lower growth but will also add to medium-term inflation pressure.
>
> Consistent with the Policy Targets Agreement, the Bank's focus will remain on medium-term inflation. Provided the economy evolves in line with our projection, we are now likely to be in a position to lower the OCR later this year, which is sooner than previously envisaged.[111]

GDP growth was projected to be minimal, the exchange rate of the New Zealand dollar was expected to depreciate, housing prices appeared to be falling, and the labor market was understood to be weakening.[112] This appraisal of economic conditions allowed the Reserve Bank to "look through" the first-round price effects of inflationary shocks—projected to spike to 4.7% in the following quarter—and project that the rate of consumer price inflation would return to the target band of 1%-3% in the medium term of the Bank's three-year projection period.[113] The bank's tight monetary policy was pushing the economy to the brink of recession. The grim sequelae of economic shocks—the credit crunch, the deflating of the housing bubble, and the rising prices of commodities—were projected by the bank to resolve the inflation situation by virtue of an economic slowdown, if not recession, in New Zealand and globally.[114]

The econometric re-scripting required, however, an agile articulation of the bank's intentions vis-à-vis the evolution of expectations. The bank is explicit in the statement appended to the Governor's Policy Assessment regarding its intention to *shape* pricing behavior, as follows:

> In these instances, a key to ensuring that medium-term inflation remains anchored at low levels is that those wage and price setters do not alter their

111. *Id.*
112. *Id.*
113. *Id.*
114. *Id.*

> pricing behaviours in response to these near-term cost shocks. However, if firms and workers start negotiating prices and wages on the expectation that inflation at or above 3 percent is the norm, then the Bank would have to respond with higher interest rates than assumed here. Leaving such behaviour unchecked indefinitely would encourage many of the inefficiencies that persistently high inflation brings with it, such as distorting price signals and disadvantaging low or fixed-income households.[115]

The Bank thus communicates its intentions unambiguously. But why should the story be believed? Why is it credible?

In a highlighted section of the statement, with the heading "The Policy Target Agreement, and maintaining price stability in trying times," the RBNZ reaffirms the intellectual premise of its monetary regime.[116] At the moment when it is anticipated that the CPI target would be violated, a pedagogic opportunity arises, allowing the bank to model explicitly and transparently the rationale guiding policies and the practices of its personnel:

> It is at times like the present, faced with significant cost shocks, that the PTA is particularly valuable. By specifying an agreed medium-term inflation target, which firms and households can count on being achieved in the medium term, it also provides the scope for us to accommodate temporary deviations from the target—even quite large ones at times. Without the medium-term target, firms and households would have little basis for knowing where future inflation would settle.[117]

Monetary policy must, in this view, appeal to reflexive subjects inhabiting farms, firms, and households, recruiting them to participate in the anchoring of expectations. This entails subtle messages about the nature of time, the structure of motive, and the ability of the bank to influence prices in the medium term:

> The PTA also explicitly notes that there is a range of events, whose impact on the inflation rate would normally be temporary, that could cause actual CPI inflation to deviate from medium-term trend inflation. The implicit directive of the PTA is to "look through" such events and focus on medium-term trend inflation, or what is sometimes called core inflation. The implication of the PTA is that when inflation is outside the target range it is important to have a credible plan to return to target over a long-enough horizon such that the economy does not suffer from unnecessary instability.[118]

This lesson can be agonizing. New Zealanders were being asked to restrain their expectations—foregoing, notably, demands for higher wages—at a time when many of them were being squeezed, if not overwhelmed, by pricing pressures.[119] They, the public, were being asked to

115. *Id.*
116. *Id.*
117. *Id.*
118. *Id.*
119. *See* Olivier J. Blanchard and Jordi Galí, Center. for Energy and Envtl. Pol'y Research, The Macroeconomic Effects of Oil Price Shocks: Why are the 2000s So Different from the 1970s? (2007), *available at* http://web.mit.edu/ceepr/www/publications/workingpapers/2007-011.pdf.

trust in the efficacy of monetary policy and contingencies of monetary theory to moderate inflation in the future:

> We will generally look through the first-round effects of relative price movements on CPI inflation (such as the effects of the oil price rise on domestic petrol prices). This is the case even if these movements are persistent and evolve over a number of years. However, we will respond to any impact of relative price movement on inflation expectations and demand pressure. This follows the general principle that monetary policy cannot prevent relative price movements in the economy—because these are real phenomena—but monetary policy should focus on the underlying rate of inflation.[120]

Thus, at the time when the quantitative target was breached the econometric allegory became the means for negotiating the complex rhetorical challenge of reshaping expectations pedagogically. The intellectual and institutional credibility of the bank was brought to bear on behavior in an effort to persuade New Zealanders to remain steadfast in their role as central bankers unto themselves.

Underwriting Confidence

> "We also put a great deal of pedagogic effort to it all."
> Lars Heikensten, Governor of the Riksbank (2003-2005)[121]

When I visited the Swedish central bank in 2009, the prevailing challenge for it, and for virtually all central banks globally, was underwriting confidence.[122] Inflation targeting was re-functioned for this purpose.[123] Its communicative conventions—and specifically the status of the monetary policy story—assumed an overriding importance as the exigencies of monetary policy and financial stability converged.[124] Rather than merely anchoring expectations about a price target, the communicative protocols were realigned to address the spectrum of sentiments and expectations that can underwrite or undercut public confidence.[125] Controlling the parameters of the monetary policy story and communicating them with care and circumspection was of the utmost importance. The Minutes of the bank's Executive Board meeting in April 2009, published within two weeks of the

120. Reserve Bank of N.Z., *supra* note 109, at 7.

121. Gunnar Wetterberg, Money and Power: From Stockholms Banco 1656 to Sveriges Riksbank Today 460 (Patrick Hort, trans., 2009).

122. *See generally* Edwin Le Heron, Financial crisis and Confidence in a Post-Keynesian Stock Flow Consistent Model (2009) (explaining how the financial crisis in the United States lead to decreased confidence generally in the Euro Zone banking system, particularly in the French system).

123. *See* Ben S. Bernanke et al., Inflation Targeting: From the International Experience 120 (2001) (illustrating one example where inflation-reduction targets were used to buttress a central bank's commitment to price stability and increase public confidence in the central banking decisions. Further, the bank itself hoped that announcing inflation targets would eventually strengthen confidence in monetary policy, allowing for inflation control with increased transparency and accountability).

124. *See* Holmes, *supra* note 20, at 389.

125. *See id.* at 406-07.

gathering, were unusually expressive.[126] No particular data series, no particular variables were decisive in their deliberations; rather, members carefully contextualized the overall economic situation as a framework for modeling and, thus, instilling confidence.[127]

Within the microcosm of the bank boardroom, the macrocosms of the Swedish and global economy emerged with discernable features via a carefully orchestrated conversation among six individuals.[128] Belief and its absence were simulated as participants evaluated monetary predicaments for themselves and vicariously for a diverse audience.[129] The members of the Board were acutely aware that with each statement—with what was spoken and what was left unspoken—they were engaged in a deliberative process that served a profound purpose.[130]

Deputy Governor Lars Svensson set the tone at the outset of the conversation with his review of "economic developments abroad," as summarized in the minutes:

> Svensson opened the discussion. He noted that the picture of developments abroad is very gloomy. Mr. Svensson agreed with the view of international developments presented in the draft Monetary Policy Update. The forecasts for the real economy and inflation abroad have been revised down since the previous monetary policy meeting in February. Mr. Svensson considered that many indicators of global economic developments were now showing a similar course to that at the beginning of the Great Depression, which gave cause for concern.[131]

Economic forecasts were being revised downward and a precise assessment of the global economy was, at best, difficult.[132] Each member of the committee sought nonetheless to give a tentative narrative structure to the economic predicaments facing the global economy.[133] The commentary was restrained and matter of fact, and yet an unmistakable drama lurked in each intervention, as participants searched for a means to articulate a coherent and a responsible narrative.[134]

Lars Nyberg's survey of conditions followed the appraisal outlined in the Monetary Policy Update:

> Deputy Governor Lars Nyberg essentially shared the gloomy view of international developments. World trade has continued to fall heavily. Capital inflows to most emerging economies have largely ceased. Unemployment has reached all-time highs in many countries and is expected to increase further. No positive signs can be seen in Europe.[135]

126. *See* Sveriges Riksbank, *supra* note 19.
127. *See id.*
128. *See id.*
129. *See id.*
130. *See id.*
131. *See id.*
132. *See id.*
133. *See id.*
134. *See id.*
135. *See id.*

Nyberg described a general scenario by which financial markets could be reanimated, if and when the appetite for risk returned:

> When Lehman Brothers filed for bankruptcy in September last year, risk propensity among investors in credit instruments declined dramatically. There is now substantial liquidity in many funds, hedge funds and insurance companies. This liquidity is waiting to be invested. At the same time there are companies with essentially sound conditions that will survive the crisis, and these need funding. This applies to both financial and non-financial companies. When investors are willing to begin taking slightly more risk again and companies realise that they will have to pay slightly higher interest rates, the market will slowly rise back on its feet.[136]

Nyberg added that these positive circumstances would in all likelihood begin to surface even as the economic downturn continued to worsen:

> It is therefore not unreasonable that the credit markets should come to life at the same time as the credit losses in the banks are growing and the economic downturn is continuing. . . . Companies with good credit ratings are now able to borrow. Other markets where activity has been almost non-existent since September last year have also begun to slowly come back to life.[137]

Deputy Governor Karolina Ekholm reiterated the nature of the challenges for Swedish trade and the degree to which the fate of Sweden was tethered to economic conditions in Europe and the US:

> Ekholm shared the gloomy view and did not in principle envisage any rays of light. . . . Experiences from the 1930s show that a deep recession can involve temporary upturns. In addition, the real economic downturn in the United States is continuing, with falling employment and increased unemployment.
>
> Developments in Europe appear to be following the same patterns as in the United States, though with some time lag. A recovery in the United States is to be expected before a recovery in Europe. The problems in the German economy are troublesome for Sweden, which is strongly dependent on trade with Germany. Sweden risks facing a long period of weak demand for export goods.[138]

Svante Öberg, who holds the position of first deputy governor, endorsed the staff analysis presented in the draft Monetary Policy Update, while asserting that the risks to the forecasts were for further downward revisions.[139] He further elaborated on the synchronized nature of the global downturn and referred to an International Monetary Fund (IMF) report on how these events have historically played out:

> According to the IMF, the current financial crisis will probably result in an unusually long and deep recession as a result of the financial and global nature of the crisis. The IMF bases its analysis on earlier recessions in 21 developed countries since 1960. Its conclusion is that recessions associated with financial crises tend to be more serious and that the recoveries tend to

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136. *See id.*
137. *See id.*
138. *See id.*
139. *See id.*

> be slower than normal. If the recessions are moreover globally synchronised, they tend to be even longer and to be followed by even weaker recoveries. . . .
>
> Expectations are largely in line with the average of the five large financial crises in the industrial world during the post-war period (the big five) and moreover in line with the average for recessions associated with financial crises and synchronised recessions, according to the IMF.[140]

Governor Stefan Ingves drew attention to the coordination among monetary authorities globally:

> The authorities in different countries have taken a large number of conventional and non-conventional policy measures. One important question is whether this can reduce pessimism and infuse new confidence in the future. With all of the measures that have now been taken, the world economy is not facing a financial meltdown. The financial system is functioning tolerably, but only as the result of massive public sector support measures.[141]

He then emphasized the problems of contagion globally and the risk of a very slow and uneven recovery from the crisis:

> But the risks remain in international terms with regard to self-reinforcing contagion effects between weak real economies and under-capitalised financial systems. In addition, the collapse in world trade is continuing. When trade credits are frozen, this disturbs the global supply chain of input goods needed before a product is ready for sale. In addition to declining demand, world trade is also therefore hit by supply shocks related to funding problems. Moreover, previous experiences show that the process of adjustment risks becoming long drawn-out, particularly in countries where saving has been low for a long time before the adjustment begins. Countries have different capacities and willingness to resolve problems in the financial sector; countries have also been hit by greater or smaller declines in export demand. This should mean that when economic activity improves, it will not be in an entirely synchronised manner.[142]

Deputy Governor Barbro Wickman-Parak returned to the draft Monetary Policy Statement, agreeing with the modestly positive forecast of recovery it projected; she also allowed for the possibility of a more positive economic outcome and a more rapid restoration of confidence:

> The further ahead one looks, the more uncertain the forecasts are, of course. This is always the case, but the uncertainty is particularly great on this occasion for several reasons. The effects of the expansionary fiscal policy are uncertain and it is extremely difficult to assess when the normalisation of the financial markets will begin and confidence will be restored.
>
> Although Ms. Wickman-Parak supported the forecast in the main scenario in the February Report, she considered then that there was reason to pay attention to the alternative scenario based on a more rapid recovery abroad and she also wished to highlight this possibility today. The motive for this is, as in February, that the financial system is undergoing a massive confidence crisis that has made a lasting impression on the real economy. Once confi-

140. *See id.*
141. *See id.*
142. *See id.*

dence is restored, an upturn may be stronger than expected.[143]

Finally, Wickman-Parak reiterated how confidence would reassert itself over time as the outlines of a discernable future became visible and plausible in people's daily lives.[144] The global efforts to address the crisis and the cooperation among global central banks created the field upon which these kinds of scenarios could be built.[145]

The members of the board listened carefully to each other and crafted their interventions in a manner that allowed for conflicting perspectives, differing emphases, and alternative interpretations, in which uncertainty and indeterminacy were essential and inevitable conditions.[146] They were fully aware of the media, of various levels of public- and private-sector managers, of political officials, of market participants, and of the public in general.[147] Not insignificantly, they were also aware that employees of the bank itself would overhear, as it were, their conversations.[148] They sought to anticipate the questions of these target groups in order to speak to their motives and their expectations.[149]

Central bank credibility was not conveyed by a technocratic officialdom whose knowledge, expertise, and judgment were, a priori, "superior," and hence worthy of trust; rather, authority emerged from complex narratives by which policymakers crafted statements that addressed coherently the concerns of diverse and dynamic public interests.[150] These narratives simulated the substantive experience of the bank's target groups.[151] The story, as we have seen in this case, was far from salutary or uplifting; rather, its persuasive aim was to foster economic stability by providing the analytical material with which firms and households could address the shifting challenges of the present situation. The task demanded the amplification of communicative protocols of the inflation-targeting regime, particularly by foregrounding the monetary policy story and the conversations that generated and sustained it.[152]

A key task of this storytelling was to stabilize sentiments and expectations but not fully or necessarily to eradicate fear. Fear and uncertainty were entirely appropriate elements of the story at that time. But board members needed a story that would both evoke a broad range of more nuanced sentiment and expectation, and bear on the particular circumstances that prevailed in early 2009. The experience and judgment of board members was key to providing interpretative insights on the availa-

143. *See id.*
144. *See id.*
145. *See* Holmes, *supra* note 20.
146. *See* SVERIGES RIKSBANK April 20, 2009, *supra* note 19.
147. *See id.*
148. *See id.*
149. *See id.*
150. *See* MICHAEL WOODFORD, INTEREST & PRICES FOUNDATIONS OF A THEORY OF MONETARY POLICY 2–3 (2003).
151. *See id.*
152. *See* SVERIGES RIKSBANK April 20, 2009, *supra* note 19.

ble data—data that were unusually difficult to read at the time.[153] Significantly, board members recapitulated the history of similar crises and the ways other countries had resolved them.[154] Casting the monetary policy story prospectively was decisive. The board members rendered the issues at the heart of the crisis tractable by teasing out readings of the current circumstances that were consistent with information, judgment, and experience. Moreover, when rational appraisals of risk and rewards were largely or entirely incalculable, the board members' forward-looking appraisals were capable of orchestrating those leaps of faith by which the investment, employment, and consumption plans of firms and households could become the basis of action in the face of uncertainty.

Four broad issues emerged from my work in Stockholm that became decisive in shaping my subsequent research. Each issue revealed the deeper and broader communicative issues at stake in the management of a public currency:

(1) In the midst of the crisis, the evolving monetary story became the means for shaping public perceptions of shared predicaments in a manner that made them recognizable and plausible. The storytelling was attuned to the diverse affective predispositions of the Swedish people.

(2) By controlling the parameters of this narrative genre, the Riksbank board created an analytical account that could stabilize portrayals of the future with the capacity to act upon features prospectively. Representations of the future were radically and explicitly performative. Members of the board sought to create expectations and "structures of feeling"[155] and, thereby, *affectively* model the future as an empirical fact.

(3) The bank's economic and monetary expertise—its research capabilities—fully registers at every turn in the board's deliberation. What made the research persuasive was, ironically, the candid appraisal of the limitations of data and the acknowledgment of the uncertainties surrounding the economic theory. The board demarked the threshold, and it was largely a leap of faith that impelled action across it. The bank had more than mere information to offer; it had a relationship with the public, cultivated for decades, that was decisive in summoning the ephemeral elements of confidence in the face of indeterminacy.

(4) The basis of this communicative relationship was rooted in the creative field of economic action. Insofar as the members of the Riksbank's executive board were deeply engaged in conversations with networks of interlocutors, they sought to operate fully in concert with the public, fully wired into their communicative field, and fully aware of their unfolding dilemmas. The troubled economy and the dysfunctional financial system assumed the guise of shared predicaments, which the Riksbank's board understood were ultimately in the hands, the visible hands, of its target groups—the public—to creatively resolve.

The continual articulation of policy decisions, in terms of first acknowledging the challenges facing consumers and producers and then narrating these challenges back in a manner that can speak to the Swedish

153. *See id.*
154. *See id.*
155. *See generally* Williams, *supra* note 26, at 157-64.

people, distinguishes this monetary regime. The public interest is, thus, framed and reframed within a persuasive monetary policy story that acknowledges the unfolding predicaments of firms, households, and individuals. Neither fiat nor reserves of precious metals underwrite the Krona; rather, through the communicative apparatus, the Bank fashions narratives from information, data, intelligence, and experience that can orchestrate policy by means of a carefully crafted conversation.

Growth Story

> It has been usual to think of the accumulated wealth of the world as having been painfully built up out of that voluntary abstinence of individuals from the immediate enjoyment of consumption which we call Thrift. But . . . mere abstinence is not enough by itself to build cities or drain fens . . . . It is enterprise which builds and improves the world's possessions . . . . If enterprise is afoot, wealth accumulates whatever may be happening to Thrift; and if Enterprise is asleep, wealth decays whatever Thrift may be doing.[156]
>
> John Maynard Keynes, *A Treatise on Money*

The pre-monetary policy meeting of the Bank of England that I attended in early July 2011 illuminated a central preoccupation of my research, notably the problem of uncertainty and its relationship to the representational nature of the monetary policy story. A year earlier in Stockholm, I had begun to think of the conditions of a liquidity trap as a profound metaphorical problem whereby ideas could be frozen as a function of uncertainty. And, relatedly, I began to wonder how, as Robert Skidelsky has put it, "uncertainty is generated by the system itself."[157] During this period, the Bank of England and other major central banks faced a classic impasse in which the data were conflicting and confidence subdued or absent.[158] The impasse had an "empirical" basis: banks were not lending to consumers,[159] businesses were not borrowing,[160] and growth was faltering.[161]

Liquidity trap—as a metaphor—seemed to color just about everything that the presenters discussed. It was as if the term ceased to merely describe the circumstances of borrowers and lenders and began to signify a wider, perhaps pervasive, predicament. Uncertainty trapped thought and action more broadly, further clarifying, inter alia, the meaning of the Japanese "lost decade." Lost were the firm grounds upon which to isolate and address policy issues with sustainable interventions. Relationships between variables were difficult to discern, analysis was unusually tentative, and forecasting was becoming increasingly perilous. Policy formulation was troubled, not least because there was doubt about what

156. John Maynard Keynes, *A Treatise on Money*, *in* VI THE COLLECTED WRITINGS OF JOHN MAYNARD KEYNES 3, 148–49 (1971).
157. ROBERT SKIDELSKY, KEYNES: THE RETURN OF THE MASTER 84 (2009).
158. *See, e.g.*, Bank of England 2011 Minutes, *supra* note 18, ¶ 21.
159. *See, e.g.*, *id.* ¶ 14.
160. *See, e.g.*, *id.*
161. *See, e.g.*, *id.* ¶¶ 19, 27.

conventional monetary policy could achieve under these circumstances. This condition of instability, however, posed a wider predicament. Insofar as the Bank of England's capacity to project a persuasive story about the future had been degraded, planning and action were frustrated, if not foreclosed.

Chris Piper delivered the penultimate presentation of the pre-MPC meeting on behalf of the banks' agents. As he spoke, I was reminded of our conversation the day earlier, in which Mr. Piper had described the circumstances of a medium-sized electronics firm in his region. What crossed my mind will hardly surprise the reader. The majority of the issues presented in the meeting expressed the ongoing concerns of Mr. Piper's business contacts in central-southern England. The issues raised in the meeting as more-or-less discrete analytical matters had already been incorporated in the pragmatic work, the cognitive labor of these contacts by which they planned and managed the day-to-day operations of their diverse enterprises. The fate of Greek bonds may not have been a pressing concern, but many of the other macroeconomic and monetary issues—the conditions in domestic and international markets, shifts in taxation policy, movements in exchange rates, and the cost and availability of credit—were fully within the intellectual ambit of business people and consumers. The contacts, however, couched these issues in the routine measures by which they maintained the viability of their respective businesses. They applied purposeful intelligence on the micro level to the basic issues (and many others) examined in the pre-MPC meeting, and they generated solutions—some successfully, some not. However severe the challenges, some firms were doing well; indeed, some were doing phenomenally well. Micro-level action in the face of a liquidity trap, insofar as it succeeded in generating growth for particular firms in the face of numerous impediments, could have incremental effects potentially solving the issues of the macro-level recovery. But, these solutions were, at the time, idiosyncratic; they did not yield a growth story.

It was not merely that the agents' contacts were positioned in ways that afforded them a closely textured purview on the situation they were operating in, a purview that might be relevant to the MPC; rather, it was that they—the network of contacts—were *crafting understanding of their situations in order to act in and upon them.* The contacts were continually engaged in developing strategic solutions to essentially the same situations confronting the committee. In their decisions to expand or curtail payrolls, to increase or decrease investment, to borrow or lend, to adjust wages or to modify prices, the contacts were addressing the substantive issues of the UK economy in vivo, in real time. These economic actors were continually experimenting with representational strategies that bridged microeconomic and macroeconomic issues, thus endowing the future with strategic attributes, however tentative, that they could act upon in the face of the challenges and uncertainties posed by a persistent global slowdown. By means that were not fully or necessarily visible in the interplay of conventional aggregate data, the contacts were addressing and potentially resolving the circumstances of the recovery. In their ability to access the managerial strategies by which firms analyze information and deploy resources, the members of the MPC had within their reach a means to tap into the creative acumen of the network. The question was how to make these strategies and the insights underpinning them informative as a basis for policy.

Again, a liquidity trap as an intellectual impasse can be disrupted, if not resolved, by representational labor that creates a viable "growth story." There is an obvious analogue in the work of venture capitalists. Kaushik Sunder Rajan has posed this as the classic challenge and opportunity, notably for venture capitalists working in genomic sciences.[162] These venture capitalists must negotiate the predicaments of finance with a promissory vision of financial payoff (if not windfall), an agile narrative designed to disrupt established metaphors and tropes and create new ones often with little in the way of "solid empirical data."[163] This kind of representational labor drives enterprise and innovation.

The participants in the pre-MPC meeting understood and/or hoped that representational enterprise was afoot by which an escape from a liquidity trap was potentially in the works, and they sought to capture its emergent motifs, to interpret its features, and to shape its future course. They knew, too, that there were sectors or subsectors of the UK economy where a persuasive growth story eroded the liquidity trap, by re-endowing the future with features that can animate the leaps of faith that drive innovation.

What I overheard at the pre-MPC meeting had to do with the unfinished and or unacknowledged nature of a public currency provoked by a liquidity trap. What was entrapped was a growth story. Fiscal austerity—thrift—pursued by the British government was explicitly about the curtailment or withdrawal of a promissory agenda in the name of budgetary responsibility and financial probity: values, as J.M. Keynes suggests, that do not in themselves contribute to the building of cities, draining fens, or for that matter, writing software code.[164] So what I began to understand during this period was that the monetary story was about promises, about negotiating and re-negotiating an evolving social contract, a series of economic and monetary interests that can speak to the predicaments of the public. If austerity is allowed to usurp the representational labor underwriting growth stories, wealth will decay.

During the summer of 2012, representational enterprise on a heroic scale was afoot across the English Channel that could model anew the euro as a public currency by means of a promissory vision. Meanwhile, Britain

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162. SUNDER RAJAN, *supra* note 10.

163. *Id.*

164. Keynes, *supra* note 156, at 148–150 (arguing that austerity and thrift do not underwrite growth, nor can they resolve the predicaments posed by an economic slump).

continued to lurch in and out of recession as enterprise slumbered.[165]

Manifesto for a Public Currency

> "[C]ommitment to monetary stability is not only grounded in its economic merits but is also a cornerstone of the social contract."[166]
>
> Benoît Cœuré, member of the executive board of the European Central Bank, March 2, 2013

In mid-2012, the technocratic challenge for the European Union matched the scale and historical significance of the Cold War challenges confronted by the original architects of the European project. However, rather than pooling national sovereignty by means of new supranational institutions—the classic agenda of European integration—the emerging challenge was to transform the nature of public finance in order to restore and strengthen the viability of the European social model.[167] In other words, the crisis was provoking and then catalyzing a re-design of finance and political economy to underwrite the *other* great project of European integration, the project of *solidarity*.[168]

The sovereign debt crisis that began with revelations about Greek deficits in early 2010 had quickly expanded to a massive upheaval that threatened the financial stability of the entire euro area and, ultimately, the overall performance of the global economy.[169] In the ensuing sixteen months, in what appeared to be an unending series of emergency meetings in Brussels, Frankfurt, Athens, Berlin, Paris, and Washington, senior officials designed and debated interventions to address the quickening emergency that seemed to continually outpace and thwart institutional solutions.[170] Not since the Paris Peace Conference of 1919 have such intense, fractious, and brutal negotiations on the fate of Europe been pursued, with these recent deliberations marked by a similar degree of miscalculation, deception, and with what many viewed as incandescent bad

165. *See* David Milliken & William Schomberg, *Britain's Double Dip Recession Revised Away, but Picture Still Grim*, Reuters, June 27, 2013, *available at* http://uk.reuters.com/article/2013/06/27/uk-gdp-data-idUKLNE95Q00P20130627.

166. Benoît Cœuré, Member, Exec. Bd. of the Eur. Cent. Bank, Revisiting the European Social Contract, Keynote Address at the European Conference at Harvard: Europe 2.0—Taking the Next Step (Mar. 2, 2013), *available at* https://www.ecb.europa.eu/press/key/date/2013/html/sp130302.en.html.

167. *See also* Teodoro Dario Togati, *Europe in Crisis: More Political Integration in the Eurozone is the Solution*, *in* Europe and the Financial Crisis 91, 98–99 (Pompeo Della Posta & Leila Simona Talani eds., 2011) ("[T]o overcome this suboptimal scenario and grow at a more reasonable pace the Eurozone calls for higher political integration.").

168. *See* Douglas R. Holmes, Integral Europe: Fast-Capitalism, Multiculturalism, Neofascism 40–41 (2000); Paul Rabinow, French Modern: Norms and Forms of the Social Environment 184–87 (1989).

169. *See also* Landon Thomas Jr., *Europeans Fear Greek Debt Crisis Will Spread*, N.Y. Times, Apr. 27, 2010, http://www.nytimes.com/2010/04/28/business/global/28euro.html?pagewanted=all&_r=0.

170. *See also* Steven Erlanger & Matthew Saltmarsh, *Greek Debt Crisis Raises Doubts About the European Union*, N.Y. Times, May 7, 2010, http://www.nytimes.com/2010/05/08/world/europe/08europe.html.

faith.[171]

I asserted at the outset of this article that my purpose is not to recount the intricacies of this debacle, but rather to examine what is emerging from it. I address this issue by focusing on what appears to be yet another prosaic account of a central banker. Yet this account was unusual with new and far more significant ambitions. Specifically, I examine Mario Draghi's effort to re-design the communicative architecture of the euro in order to speak to the predicaments of the European public beset by uncertainty. Yet to do this meant approaching the precipice: acknowledging that the ECB had lost control of the management of monetary policy.

I focus on Draghi's statements delivered not in Frankfurt, but first in Brussels on July 9, 2012 to the Economic and Monetary Affairs Committee (ECON) of the European Parliament as part of the regular "monetary dialogue" between the two institutions, and then in London on July 26, 2012 at an investment conference.[172] There is also a series of supplemental documents I examine: a report by the President of the European Council and a paragraph in an IMF report on Spain, drafted at about the same time by members of a network of overlapping groups of technocrats drawn from the European Commission, the ECB, and the IMF, who had come to form the intellectual apparatus for addressing the crisis.[173]

Draghi's presentations were delivered at a time when the political momentum for aggressive programs of austerity in the peripheral states of the euro area, which had once been the cornerstone of the EU's response to the sovereign debt and banking crisis, had slowed.[174] Europe as a whole had entered an economic slowdown and policies of relentless austerity, espoused most insistently by German Chancellor Angela Merkel and French President Nicolas Sarkozy, faced increasing popular resistance, as well as growing recognition among experts and lay observers alike that austerity was actually worsening the sovereign debt and banking crisis.[175]

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171. *See also* Steven Erlanger, *French and German Ties Fray Over Greek Crisis*, N.Y. TIMES, Apr. 12, 2010, http://www.nytimes.com/2010/04/13/world/europe/13europe.html.

172. Mario Draghi, President, European Cent. Bank, Introductory Statement to the Hearing at the Committee on Economic and Monetary Affairs of the European Parliament (July 9, 2012) [hereinafter Draghi July 9], *available at* http://www.ecb.int/press/key/date/2012/html/sp120709.en.html; Mario Draghi, President, European Cent. Bank, Speech at the Global Investment Conference in London (July 26, 2012) [hereinafter Draghi July 26], *available at* http://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html.

173. Report by Herman Van Rompuy, President, of the European Council, Towards a Genuine Economic and Monetary Union (July 26, 2012), *available at* http://ec.europa.eu/economy_finance/crisis/documents/131201_en.pdf; Int'l Monetary Fund, *2012 Article IV Consultation with Spain Concluding Statement of IMF Mission*, ¶ 7 (June 14, 2012), *available at* http://www.imf.org/external/np/ms/2012/061512.htm.

174. *See Europe's Austerity Pact: Running out of Road*, THE GUARDIAN, Apr. 23, 2012, http://www.theguardian.com/commentisfree/2012/apr/23/europes-austerity-pact-editorial ("[T]he politics of key member states [of the European Union] are moving in the opposite direction [of austerity].").

175. *See* Charles Kadlec, *Austerity, and the Failure of the Governing Elite*, FORBES, Apr. 30, 2012, http://www.forbes.com/sites/charleskadlec/2012/04/30/austerity-and-the-

Sarkozy's defeat in the May 2012 presidential election to François Hollande marked a shift of policy to programs emphasizing, at least rhetorically, economic growth.[176] Draghi, about this time, had cautiously assumed a leadership role in publically defining and articulating the issues at stake in the crisis, employing a very particular form of representational labor.[177]

Draghi's statement to the parliamentary committee recounted his broad assessment of the upheaval and his anticipated role in its resolution.[178] What he articulated would have been unthinkable a year earlier. What was achievable had changed. The deterioration of economic conditions across Europe was playing a role—perhaps a decisive one—in fostering Draghi's willingness to address the stark details of the crisis.[179] Most notably, the ability of the ECB to conduct monetary policy had been compromised, its constitutional mandate impaired.[180] This in itself served as an emphatic pretext for unprecedented action. Cautiously, and with little in the way of hype, Draghi crafted a story, an evolving institutional story, by which confidence could be reestablished and the issues of the moment addressed if not resolved.[181] Deeper still, Draghi provided hints about how the entire project of European integration was being transformed and endowed with new communicative features.[182]

Draghi, in contrast to his predecessor, was carefully disentangling the ECB from the thrall of the Bundesbank.[183] At a time when a consensus about technical solutions to the crisis was gradually taking form among technocratic elites,[184] it was necessary to establish the rationale for those

failure-of-the-governing-elite/ (discussing the economic slowdown in Europe and attributing it largely to austerity). *See also* Mehdi Hasan, *Angela Merkel's Mania for Austerity is Destroying Europe*, New Statesman, June 20, 2012, http://www.newstatesman.com/politics/politics/2012/06/angela-merkels-mania-austerity-destroying-europe; Karine G. Barzegar & Ruby Russell, *French Voters Reject Austerity Tack, Oust Sarkozy for Socialist Leader*, Wash. Times, May 6, 2012, http://www.washingtontimes.com/news/2012/may/6/french-voters-reject-austerity-tack-oust-sarkozy-f/?page=all.

176. Barzegar & Russell, *supra* note 175.

177. *See* Draghi July 26, *supra* note 172 (illustrating Draghi's public discussion of economic and monetary developments in lieu of the crisis). *See also* Ralph Atkins, et al., *Draghi Calls for Europe 'Growth Compact,'* Fin. Times, Apr. 25, 2012, http://www.ft.com/intl/cms/s/0/fc894164-8ead-11e1-ac13-00144feab49a.html#axzz2jcRbrWMH (providing a specific example of Draghi speaking out about the issues at stake in the crisis).

178. *See* Draghi July 9, *supra* note 172.

179. *See* Atkins et al., *supra* note 177 ("Mr. Draghi's comments show how the ECB has been taken aback by signs of recent economic weakness . . . ."). *See also* Draghi July 26, *supra* note 172 ("I think my assessment was candid and frank enough.").

180. *See* Draghi July 26, *supra* note 172 (addressing challenges to the mandate).

181. *See* Draghi July 9, *supra* note 172.

182. *See id.*

183. Jeff Black & Simon Kennedy, *Draghi Courts Bundesbank in Bid to Avoid Trichet's Bond Fate*, Bloomberg, Dec. 8, 2011, http://www.bloomberg.com/news/2011-12-08/draghi-courts-bundesbank-in-bid-to-avoid-trichet-s-fate-on-bond-purchases.html.

184. *See* James K. Jackson, Cong. Research Serv., The Financial Crisis: Impact on and Response by The European Union 4–6 (2009), *available at* http://www.fas.org/sgp/crs/misc/R40415.pdf (finding that European leaders aimed to develop a common set of procedures to address the financial crisis in 2009, but still disagreed on the details of those regulatory schemes); Krister Koskelo, *Europe: Between Technocracy and Democracy*,

solutions within a sustainable public discourse. The challenge Draghi faced was to model a communicative relationship by which the public was persuaded to collaborate in the restoration of faith and credit in an irrevocable monetary union. In the statement that follows, Draghi struggles to delineate this kind of story. As we will see, depending on one's perspective, the substance of what he spoke was either audacious or tragically misguided.

Ownership of the Future

Halfway through Draghi's statement of July 9 (which runs fewer than two thousand words), he turned to a question posed by the ECON committee on the role of the ECB in the "economic adjustment" programs and the bank's oversight and management roles, describing the simple formula that evolved to address the crisis and daringly speaking of "aftermath."[185] In what reads as technocratic deadpan, he delineates in the simplest terms possible the nature of ECB financial assistance, the reforms it is demanding as the conditionality of loans, and the mechanisms of surveillance that were in place to insure compliance.[186] There is no strict invocation of the provisions of the Maastricht Treaty or some other austere constitutional principle; rather, the aims of the programs are expressed in pragmatic terms of restoring the creditworthiness of member states such that they can regain access to the credit markets and thus regain financial viability.[187]

Draghi then turned to another more disquieting issue to support his rhetorical interventions. He acknowledged that to model a communicative relationship with a European public—to recruit them to a task of restoring features of a discernable future to their social lives and to underwrite that future with institutional faith and credit—required troubling acknowledgments about the past.[188] An acceptance of responsibility was necessary to render the circumstances of the crisis tractable and to give the European public "ownership," as Draghi termed it, of their future:

> Today's economic environment obliges all countries to take a very critical look at their past—and it obliges all to take a very objective view of their future.
>
> It is only against the background of the past that the adjustment programmes currently underway in several euro area countries can be understood. It was past economic developments and policies that led to excessive imbalances in a number of countries. And it was those imbalances—fiscal, macroeconomic and external—that were neither healthy nor sustainable.

HARV. POL. REV. (Nov. 5, 2012, 5:44 PM), http://harvardpolitics.com/world/europe-between-technocracy-and-democracy (stating that European technocratic leaders have only reached consensus and substantive progress on policymaking regarding the sovereign debt crisis in 2012).

185. *See* Draghi July 9, *supra* note 172.
186. *See id.*
187. *See id.*
188. *See id.*

> Unsustainable imbalances provide the objective need for adjustment programmes—and the degree of the adjustment is directly related to the extent to which past policies were misguided.
>
> Policy adjustment in the euro area takes place under market pressures, but less so than for countries outside the euro area because being part of monetary union shelters countries against some pressures, notably on the exchange rate.
>
> But this does not mean that the degree of policy adjustment can be lower. The schedule of regaining full market access within a few years applies here too. Therefore, perseverance in bold and necessary reforms is crucial.
>
> A critical success factor is ownership of the programmes by governments, parliaments and ultimately the citizens of the countries concerned. An essential precondition for ownership is that policy-makers communicate clearly about the economic rationale for adjustment. As I have suggested, this means taking a critical view of the past and an objective view of the future.
>
> This process has started. Increasingly, national policy-makers make the case for reform strongly. They point to past developments in explaining the background of adjustment and now highlight the many beneficial elements of reforms. Some of these reforms improve fairness by combating tax evasion or rent-seeking by vested interests, and they improve the efficiency of the public sector.
>
> National policy-makers are now increasingly making a central part of their objective the overall aim of EMU: to sustain economic well-being in the absence of major imbalances, and to generate sustainable growth in a competitive environment.[189]

When Georgios Papandreou revealed that Greece had been less than candid about its fiscal situation in late 2009, thus precipitating the sovereign debt crisis, few in Europe were or should have been entirely surprised.[190] Put bluntly, Greek political leaders had misled the European public, but they hid their misrepresentations in plain sight.[191] The public deferred to their authority while it harbored deep misgivings about the judgment and trustworthiness of political elites.[192] Greeks, perhaps more than any other Europeans, cultivated scathing commentary in this regard, and, ironically, some had long hoped for political intervention by the EU to address what Greek politicians could not speak to.[193] On the other hand, European officials too were fully aware of the defects of the euro, the mis-

189. *Id.*

190. Rachel Donadio & Niki Kitsantonis, *Greece Struggles to Tame Debt as Its People Grow More Restive*, N.Y. Times, Dec. 12, 2009, at A4.

191. Hans-Werner Sinn, Casino Capitalism: How the Financial Crisis Came About and What Needs to be Done Now 244 (2010).

192. Rachel Donadio, *Distrust of Government Impedes Greek Reform*, N.Y. Times, June, 26, 2011, at A14.

193. *See, e.g.*, George Iordanou, *Golden Dawn is Growing - Europe Must Help Curb the Rise of the Far Right*, The Guardian (Sept. 19, 2013, 11:02 AM), http://www.theguardian.com/commentisfree/2013/sep/19/golden-dawn-europe-greek-cypriot; Nikos Konstandaras, *A Handy Sense of Injustice*, Ekathimerini (Feb. 20, 2011, 9:31 PM), http://www.ekathimerini.com/4dcgi/_w_articles_wsite3_1_20/02/2011_379478; Stavros Lygeros, *Redefining Populism*, Ekathimerini (Jan. 20, 2011, 5:06 PM), http://www.ekathimerini.com/4dcgi/_w_articles_wsite3_1_20/01/2011_374344; Spiridon Paraskewopoulos, *Who Will Stop the New Greek Tragedy?*, Int'l Trade News ,http://www.inter-

guided policies of euro member states, and the looming unsustainable imbalances between the European nations; but they rarely brought these insights to public attention.[194] The spread of the crisis, as well as the catastrophic banking emergency that ensued, may have been hard to foresee, but what Draghi said was obvious: that preconditions for the crisis were set in place by misguided and/or unsustainable policies that must be acknowledged and redressed to sustain economic growth and well being.[195] Programs of reform and restructuring had to be made coherent to the public in relation to the past history of political mismanagement.[196]

Draghi's statement then veered to a positive appraisal of the results of the reform process, which itself served as the basis of and for confidence, despite there being, at the time, much evidence to the contrary:

> In my view, a great deal of progress is underway in this respect.
> For example, the Irish authorities have maintained a strong track record for maintaining reform momentum throughout their programme. They have also taken important steps towards restoring the stability of the financial system.
> In Portugal, programme implementation remains good and important progress has been made in such areas as the labour market, the housing market, the general competition framework, the judicial system and the transport sector. The Portuguese authorities remain fully committed to achieving this year's fiscal target.
> The Spanish authorities too have shown that they remain fully committed to accelerating the structural reform agenda and putting the financial sector on a sound footing. They are also committed to improving external competitiveness to lay the foundations for more sustainable prosperity.
> Even without programmes, many policy-makers are bold in reform. In Italy, for example, reforms to increase competition, reduce the administrative burden and increase labour market flexibility have been important measures. The country's spending review will help to achieve the fiscal targets.
> Virtually all other countries are undertaking measures to improve fiscal solidity and the basis for sustainable growth without excessive imbalances.
> So despite the current challenges, countries' progress is strong and the fundamentals of the euro area as a whole are sound.
> The euro area's fiscal deficit is declining towards 3% of GDP; price stability is ensured; and the external accounts have remained close to balance. All these are reasons to pursue reforms with a strong degree of confidence.[197]

In the wake of the arduous and fraught efforts to deal with the Greek, Portuguese, Irish, Spanish, and Italian situations, and after countless meetings and consultations, Draghi is suggesting that something fundamental had been accomplished over and above the explicit aims of the reform pro-

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nationaltradenews.com/news/articles/who_will_stop_the_new_greek_tragedy/ (last visited Nov. 20, 2013).

194. Sven Böll et al., *Operation Self-Deceit: New Documents Shine Light on Euro Birth Defects*, SPIEGEL ONLINE INT'L (May 8, 2012, 4:22 PM), http://www.spiegel.de/international/europe/euro-struggles-can-be-traced-to-origins-of-common-currency-a-831842.html.

195. *See* Draghi July 9, *supra* note 172.

196. *See id.*

197. *Id.*

grams and emergency interventions. By virtue of the crisis, new understandings, new arrangements, and new working relationships among key institutions have been established. What was achievable and unachievable has shifted and new understandings are beginning to emerge among the institutional elites as to what is necessary to begin to fully achieve fiscal union. Restated, the processes and practices that had emerged to grapple with the issues of the crisis had changed the facts of the crisis. How did this happen?

Stress Test

What we know is that by the time of Draghi's presentation, groups of experts had been struggling for over a year with the complex contingencies of the various crises, vetting them, often in excruciating detail, in endless rounds of meetings to provide policy remedies—remedies typically amounting to limited short- and medium-term interventions.[198] Senior and mid-level officials of the ECB and the European Commission and their staffs, along with their counterparts in ministries of national governments, constituted the intellectual core of this apparatus.[199] This epistemic network also drew in experts in public finance and constitutional law from academic institutions, think tanks, banking institutions, and, as the crisis intensified, the staff of the IMF.[200] These people crunched and recrunched numbers and thrashed out briefing documents, technical analyses, and formal agreements that were drafted, rewritten, amended, overwritten, further revised and then rejected, accepted, or forgotten.[201] Policy makers brought crosscutting discussions of European law and, notably, the constitutional mandate of the ECB was continually brought to bear on policy proposals and remedies.[202] The ECB crafted supervisory and oversight procedures to monitor the efficacy of policy interventions.[203] Senior political leaders positioned themselves in relation to these technical documents, interpreting them vis-à-vis their national constituencies and partisan inter-

198. *See, e.g.*, European Comm'n, Directorate-General for Economic and Financial Affairs, Economic Crisis in Europe: Causes, Consequences and Responses (2009).

199. For one reflection on the cohesiveness of these entities working together in one instance, see Herman Van Rompuy, President, European Council, Remarks Following the Last Meeting of the Task Force on Economic Governance (Oct. 18, 2010), *available at* http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/117153.pdf.

200. *See* Eur. Cent. Bank., Monthly Bulletin—February 2010 96, 107–08 (2010) *available at* http://www.ecb.europa.eu/pub/pdf/mobu/mb201002en.pdf.

201. *See* Eur. Cent. Bank. Financial Stability Review (June 2011), *available at* http://www.ecb.europa.eu/pub/fsr/html/summary201106.en.html.

202. *See* Eur. Cent. Bank., Monthly Bulletin—January 2010, 74, 74–77 (2010), *available at* http://www.ecb.europa.eu/pub/mb/html/index.en.html.

203. *See generally* Eur. Cent. Bank, Eurosystem Oversight Policy Framework (July 2011), *available at* https://www.ecb.europa.eu/pub/pdf/other/eurosystemoversightpolicyframework2011en.pdf. The European Stability Mechanism (ESM) is one such device intended to "complement the new framework for reinforced economic surveillance in the EU." *European Stability Mechanism (ESM)—Q&A*, europa.eu, http://europa.eu/rapid/press-release_MEMO-10-636_en.htm (last visited Nov. 20, 2013).

ests.[204] Negotiations over loans and austerity programs—between and among peripheral states, the ECB, the European Commission, and the IMF[205]—traced the limits of macroeconomic adjustments, political persuasion, and, above all, public forbearance.

Incidental to the arduous work of dealing with the particular issues of crisis management, these working groups had assimilated what was perhaps the most thorough and nuanced understanding of interrelated elements of the political economy of the euro area available. Learning from the Portuguese, Irish, Greek, Spanish, and Italian episodes which interventions and remedies worked and which did not, they had developed—over the course of a little over a year, through trial and error—informal understandings and working relationships to systematically address the issues of the crisis.[206] They learned about the historical and cultural differences defining finance and political economy in these nations.[207] They also learned of the sensitivities and anxieties of diverse national constituencies—not only in the member states in need of assistance but also in those providing assistance.[208] Not insignificantly, they also confronted the bastions of power, privilege, and immunity that characterized the "private" financial prerogatives of European elites.

Equally important was the reflexive dynamic of this learning process, which, by constantly testing what the EU institutions could and could not do, amounted to a deep anthropology of these institutions.[209] Each phase of crisis management demonstrated the incomplete design of the EU in general and of the ECB in particular.[210] In reaction to this completeness, working understandings and even creative interventions developed. Again, these working groups fully recognized that using the circumstance of the crisis to compel these necessary reforms across the eurozone (addressing, most notably, competitiveness, budgetary discipline, and banking regulation) was fortuitous.[211] Engineering policy interventions around explicit constitutional constraints and limitations under the Maastricht Treaty cre-

204. *See, e.g.*, *Rescue Fund Controversy: France and Italy Seek Ultimate Firepower for ESM*, SPIEGEL ONLINE, July 31, 2012, *available at* http://www.spiegel.de/international/europe/euro-zone-states-discuss-plan-to-give-esm-unlimited-funding-from-ecb-a-847415.html.

205. *See, e.g.*, *Statement by the EC, ECB, and IMF on the Review Mission to Ireland*, EUROPA.EU, http://europa.eu/rapid/press-release_MEMO-11-720_en.htm (Last visited Oct. 31, 2010).

206. *See* EUR. CENT. BANK, THE GREAT FINANCIAL CRISIS: LESSONS FOR FINANCIAL STABILITY AND MONETARY POLICY (May 2010), *available at* http://www.ecb.europa.eu/pub/pdf/other/greatfinancialcrisisecbcolloquiumpapademos201203en.pdf.

207. *See generally* EUROPEAN COMM'N, *supra* note 198; EUR. CENT. BANK, *supra* note 206.

208. *See* Nicholas Sambanis, *Has 'Europe' Failed?*, N.Y. TIMES, Aug. 26, 2012, http://www.nytimes.com/2012/08/27/opinion/has-europe-failed.html?_r=0.

209. *See generally* CHRIS SHORE, BUILDING EUROPE (2000) (offering an anthropological study of the European institutions).

210. *See* Peter Praet, Member of Exec. Bd. of the European Cent. Bank, The Crisis Response in the Euro Area (Apr. 17, 2013), https://www.ecb.europa.eu/press/key/date/2013/html/sp130417.en.html.

211. *See id.*

ated some of the most vexing dilemmas for this coterie of technocrats.[212] What had they learned?

The final section of Draghi's statement summarized a report that had been published two weeks earlier, entitled "Towards a Genuine Economic and Monetary Union."[213] Drafted under the European Council president, Herman Van Rompuy, and coauthored by the president of the European Commission, José Manuel Barroso, and by Draghi himself, representing the Eurogroup and the ECB, the document demonstrated that a shared position on fiscal and monetary union—a collaborative vision—had emerged from the wrenching negotiations:[214]

> A longer-term vision for EMU
> Why then do we still have tensions in a number of market segments? Let me first stress that a lot has been done at country as well as euro area level in terms of economic reforms and governance. But we need full implementation. We have to make clear that EMU is a union based on stability at national and aggregate levels.
> Stability at national level means completing reforms to ensure sustainable growth without major imbalances. Stability at aggregate level means implementing the vision recently presented at the summit.
> The central message of that vision is this: the euro is here to stay—and the euro area will take the necessary steps to ensure that.
> In my view, the core of the report submitted by President Van Rompuy is the identification of four building blocks:
> First, a *financial market union* that elevates responsibility for supervision of banks to the euro area level.
> Second, a *fiscal union* that reinforces oversight of budgetary policies at the euro area level and also provides some fiscal capacity to support the functioning of the currency area.
> Third, an *economic union* with sufficient mechanisms to ensure that countries can achieve sustained prosperity without excessive imbalances.
> And finally a *political union* that strengthens the legitimacy of EMU among euro area citizens and deepens its political foundations.
> These four building blocks are mutually consistent and coherent, and should be pursued in parallel. I am looking forward to the work on a roadmap that has started. In my view, three issues deserve particular attention:
> First, we need to move towards a further sharing of sovereignty in the fiscal, financial and economic domains. There can be no shortcuts in establishing a sound and stable EMU.
> Second, EMU is an integral part of the Treaty. This calls on all relevant bodies and actors to engage constructively on improving its functioning, not only at Union but also at national level. To call for an impeccable application of the Treaty and at the same time refuse closer union mentioned in Article 1 of the Treaty is inconsistent, to say the least.
> Third, we need to accompany deeper euro area integration with significant progress on democratic legitimacy and accountability. There is no doubt

212. *See* Wolfgang Münchau, *The Dangers of Europe's Technocratic Busybodies*, Fin. Times, July 14, 2013, http://www.ft.com/intl/cms/s/0/3b2d9f32-ea3d-11e2-b2f4-00144feabdc0.html#axzz2jQlve75h.

213. Van Rompuy, *supra* note 173.

214. *See id.*

> that you and your colleagues—the members of the European Parliament, the directly elected representatives of the citizens of Europe—will continue to play a central role in the steps towards political union.[215]

Separately, the IMF had officially sanctioned this program.[216] A former IMF official, Gabriel Sterne, suggested that I review an unusual section of an official report that the IMF published on June 14, 2012, entitled "2012 Article IV Consultation with Spain Concluding Statement of IMF Mission." Paragraph 7 reads as follows:

> Spain's prospects will also be helped by further progress at the European level. There is an immediate need at the euro area level to ensure adequate bank funding and mitigate contagion. But a lasting resolution to the Euro area crisis will require a convincing and concerted move toward a complete and robust EMU. This requires a roadmap toward a banking union and fiscal integration. A clear commitment in this direction, in particular on area-wide deposit insurance and a bank resolution framework with common backstops, is essential to chart a credible path ahead.[217]

This statement is remarkable insofar as the IMF is not merely confirming participation in a particular series of interventions to aid a specific country, but is also prospectively ratifying an outline of a comprehensive program that is addressing the entire eurozone crisis.

Taboo

I indicated above that constitutional challenges marked the most serious impediments to action by the ECB to address the crisis. The direct purchase of member states' debt—violating the "no bailout" clause of the treaty—provoked what appeared to be insurmountable constitutional obstacles for Bundesbank officials and the German government.[218] However, without this kind of intervention, the cost—that is, the interest rates demanded by the market to fund ongoing Spanish and Italian financial needs—would be crushing.[219] At the end of July, in a speech—in many respects, it was more a series of informal comments—to the Global Investment Conference in London, Draghi hinted at an argument that trumped these constitutional inhibitions.[220] His opening comments amounted to a manifesto of sorts for a public currency:

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215. Draghi July 9, *supra* note 172 (emphasis in original).

216. *See* Rachel Cooper, *IMF Backs Mario Draghi's Bond-Buying Plan*, THE TELEGRAPH, Sep. 9, 2012, www.telegraph.co.uk/finance/financialcrisis/9531378/IMF-backs-Mario-Draghis-bond-buying-plan.html.

217. INT'L MONETARY FUND, 2012 ARTICLE IV CONSULTATION WITH SPAIN CONCLUDING STATEMENT OF IMF MISSION, (June 2012), *available at* www.imf.org/external/np/ms/2012/061512.htm.

218. *See* Consolidated Version of the Treaty on the Functioning of the European Union, art. 125, 2010 O.J. (C 83) 47, 99. *See also* Stephen Castle & Melissa Eddy, *Bond Plan Lowers Debt Costs, but Germany Grumbles*, N.Y. TIMES, Sep. 7, 2012, www.nytimes.com/2012/09/08/business/global/daily-euro-zone-watch.html.

219. *See* William L. Watts, *Draghi's 'Convertibility' Fears Set ECB Tough Task*, MarketWatch, Aug. 31, 2012, www.marketwatch.com/story/draghi-convertibility-worries-set-ecb-tough-task-2012-08-31/.

220. Draghi July 26, *supra* note 172.

> [T]he . . . message I would like to send today, is that progress has been extraordinary in the last six months. If you compare today the euro area member states with six months ago, you will see that the world is entirely different today, and for the better.
>
> And this progress has taken different shapes. At national level, because of course, while I was saying, while I was glorifying the merits of the euro, you were thinking "but that's an average!", and "in fact countries diverge so much within the euro area, that averages are not representative any longer, when the variance is so big."
>
> But I would say that over the last six months, this average, well the variances tend to decrease and countries tend to converge much more than they have done in many years—both at national level, in countries like Portugal, Ireland and countries that are not in the programme, like Spain and Italy.
>
> The progress in undertaking deficit control, structural reforms has been remarkable. And they will have to continue to do so. But the pace has been set and all the signals that we get is that they don't relent, stop reforming themselves. It's a complex process because for many years, very little was done—I will come to this in a moment.
>
> But a lot of progress has been done at supranational level. That's why I always say that the last summit was a real success. The last summit was a real success because for the first time in many years, all the leaders of the 27 countries of Europe, including UK etc., said that the only way out of this present crisis is to have more Europe, not less Europe.
>
> A Europe that is founded on four building blocks: a fiscal union, a financial union, an economic union and a political union. These blocks, in two words—we can continue discussing this later—mean that much more of what is national sovereignty is going to be exercised at supranational level, that common fiscal rules will bind government actions on the fiscal side.
>
> Then in the banking union or financial markets union, we will have one supervisor for the whole euro area. And to show that there is full determination to move ahead and these are not just empty words, the European Commission will present a proposal for the supervisor in early September. So in a month. And I think I can say that works are quite advanced in this direction.
>
> So more Europe, but also the various firewalls have been given attention and now they are ready to work much better than in the past.
>
> The second message is that there is more progress than it has been acknowledged.
>
> But the third point I want to make is in a sense more political.
>
> When people talk about the fragility of the euro and the increasing fragility of the euro, and perhaps the crisis of the euro, very often non-euro area member states or leaders, underestimate the amount of political capital that is being invested in the euro.
>
> And so we view this, and I do not think we are unbiased observers, we think the euro is irreversible. And it's not an empty word now, because I preceded saying exactly what actions have been made, are being made to make it irreversible.
>
> But there is another message I want to tell you.
>
> Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough.[221]

221. *Id.*

At the close of his remarks, Draghi made a rather offhanded comment that tested the limits of the speakable and the unspeakable:

> These premia [the inordinately high interest rates] . . . have to do more and more with convertibility, with the risk of convertibility. Now to the extent that these premia do not have to do with factors inherent to my counterparty—they come into our [the ECB] mandate. They come within our remit.
>
> To the extent that the size of these sovereign premia hampers the functioning of the monetary policy transmission channel, they come within our mandate.
>
> So we have to cope with this financial fragmentation [by] addressing these issues.[222]

Stating that there was a "convertibility risk" influencing the divergent pricing of debt among member states, Draghi acknowledged what everyone knew—that the market was pricing the possibility that the sovereign debt of some member state or states would ultimately be paid off in reissued national currencies, which would in all likelihood be of diminished value.[223] Crudely, the higher the interest premia demanded by the market, the more onerous the burden on the member state, and the more overt the expectancy of its exit from the euro.[224] But, of course, this was a self-fulfilling proposition:

> By admitting that this "convertibility risk" now exists, the ECB president has implicitly acknowledged that the permanence of the single currency is not fully credible in the financial markets. The recognition of redenomination risk after a potential devaluation is one reason, he implies, why sovereign bond yields are now so high in Spain and Italy. He has said that this prevents the ECB from transmitting its intended monetary stance into those economies, which gives the ECB the right to take direct action to reduce these bond yields.[225]

Draghi averred that there was a paramount authority—the ECB's constitutional mandate to manage monetary policy across the eurozone—that overruled restrictions on bond purchases as well as other unorthodox interventions.[226] Perceived convertibility risk, namely the interest premia imposed by the bond market, was a clear and irrefutable challenge to the ECB's management of interest rates.[227] Restoring the ECB's authority demanded that these differentials be eliminated, not merely to relieve the financial burdens imposed on specific member states, but to restore the ECB's control over the *transmission* of monetary policy, which would, thereby, reestablish the credibility of the common currency.[228] The

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222. *Id.*

223. *See* Gavyn Davies, *Draghi Breaks The Ultimate Euro Taboo*, FIN. TIMES, Aug. 5, 2012, blogs.ft.com/gavyndavies/2012/08/05/draghi-breaks-the-ultimate-euro-taboo/.

224. *See* Draghi July 26, *supra* note 172. *See also* Watts, *supra* note 219.

225. Davies, *supra* note 223.

226. *See* Draghi July 26, *supra* note 172.

227. *See id.*

228. *See id.* Draghi, in his London comments, reviewed the breakdown of the transmission mechanism that had reversed monetary integration as follows:

purchase of short dated bonds by the ECB under what came to be known as "Outright Monetary Transactions" (OMTs) was deemed by Draghi as the means to accomplish this constitutional gambit.[229]

The proposal was welcomed and supported by political leaders, notably even in Germany, though almost immediately it was subjected to restrictions and conditionalities aimed at continuing pressure on those member states petitioning for this kind of assistance, requiring them to cede further control and supervision over economic and financial matters to the so-called triumvirate, i.e. representatives of the European Commission, the IMF, and the ECB.[230] There were many other potential obstacles. Nevertheless, Draghi's interventions, however tentative, represented a means to begin to create a plausible, if not robust, legal basis for new and unprecedented ECB initiatives. The ECB, in Draghi's view, had the right—indeed, the obligation—to undertake those initiatives necessary to retain its control over monetary policy, and this assertion of the bank's legal authority was translated into a mantra that began to be repeated by senior officials of the bank, that the ECB would "do whatever it takes" to preserve and protect the viability of the common currency.[231]

Most of the journalistic attention at the time was focused, quite rightly, on the dramatic nature of the OMTs, the resulting restoration of ECB control of the transmission mechanism of monetary policy, and

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> There are some short-term challenges, to say the least. The short-term challenges in our view relate mostly to the financial fragmentation that has taken place in the euro area. Investors retreated within their national boundaries. The interbank market is not functioning. It is only functioning very little within each country by the way, but it is certainly not functioning across countries.
>
> And I think the key strategy point here is that if we want to get out of this crisis, we have to repair this financial fragmentation.
>
> There are at least two dimensions to this. The interbank market is not functioning, because for any bank in the world the current liquidity regulations make—to lend to other banks or borrow from other banks—a money-losing proposition. So the first reason is that regulation has to be recalibrated completely.
>
> The second point is in a sense a collective action problem: because national supervisors, looking at the crisis, have asked their banks, the banks under their supervision, to withdraw their activities within national boundaries. And they ring fenced liquidity positions so liquidity can't flow, even across the same holding group because the financial sector supervisors are saying "no."
>
> So even though each one of them may be right, collectively they have been wrong. And this situation will have to be overcome of course.
>
> And then there is a risk aversion factor. Risk aversion has to do with counterparty risk. Now to the extent that I think my counterparty is going to default, I am not going to lend to this counterparty. But it can be because it is short of funding. And I think we took care of that with the two big LTROs where we injected half a trillion of net liquidity into the euro area banks. We took care of that.

Draghi July 26, *supra* note 172.

229. *Not Too Little, Possibly Too Late*, THE ECONOMIST, Sept. 6, 2012, http://www.economist.com/blogs/freeexchange/2012/09/ecbs-new-bond-purchase-programme.

230. Phil Levy, *Foreign Policy: OMG, It's The OMT!*, NPR (Sept. 10, 2012, 9:32 AM), http://www.npr.org/2012/09/10/160872662/foreign-policy-omg-its-the-omt.

231. *See* Draghi July 26, *supra* note 172.

Draghi's new and emphatic refrain.[232] I turn, in the last section of this article, to a different, perhaps far more important, aspect of the transformations that were gaining articulation in the summer of 2012. Finance and political economy were, I will argue, allied in a manner that spoke creatively to the predicaments of the public, extending the reach of a new monetary regime.

Re-functioning Finance

Over the course of eight weeks or so in the summer of 2012, Draghi had orchestrated a series of interventions that could meaningfully address the overall crisis.[233] The elements of his proposal, though technically daunting, could be articulated in a simple fashion encompassing a handful of essential features. Above all, the program could be communicated—it could be made plausible to various strata and segments of the public. Indeed, its efficacy depended on a communicative dynamic that was future-oriented and designed specifically to shape or reshape expectations. The time horizons and the ends and purposes of policy interventions had shifted. The EU was no longer simply focused on pressing emergency measures to forestall some impending calamity or merely buying time to orchestrate the details of fiscal union; it now had a "longer-term vision," permitting a very different kind of intellectual labor and, perhaps, far more consequential outcomes.[234] Again, the crisis served not only as the pretext for further programs of integration, but also, for the purposes of this text, the impetus for exploration and reevaluation of the imperatives defining a public currency.

The endless rounds of meetings, the never-ending scrutiny of conflicting proposals and remedies, the continual encounters with policy dead ends—this messy and uncertain process itself—far from signaling the unraveling of the European project, was in fact furthering, perhaps resolutely, the pragmatic design of the of the European project.[235]

Draghi not only acknowledged the urgency of imparting a relational language to the monetary regime, but also he asserted in his London remarks that enhancing "social cohesion" was the decisive feature of the EU's approach to the crisis.[236] Significantly, the earlier monetary union of Germany in the 1990s was accomplished with the same language; the substantial funding of unification has and continues to be paid for with a "solidarity tax."[237] That said, the commitments to sustain social welfare and the promises to preserve human dignity were rarely acknowledged as over-

232. Jim Boulden, *OMG! OMTs Have Arrived to Save the Euro*, CNN, (Sept. 6, 2012, 4:01 PM) http://business.blogs.cnn.com/2012/09/06/omg-omts-have-arrived-to-save-the-euro-2/?iid=article_sidebar.

233. *See* Draghi July 9, *supra* note 172. *See also* Draghi July 26, *supra* note 172.

234. *See* Draghi July 9, *supra* note 172.

235. *See* JEAN MONNET, MÉMOIRES (1976); SHORE, *supra* note 209.

236. *See* Draghi July 26, *supra* note 172.

237. *Reunification 'Solidarity Tax' Stays for Now, High Court Rules*, THE LOCAL (Sept. 23, 2010, 3:11 PM) http://www.thelocal.de/20100923/30035.

riding concerns in the midst of the crisis. But in the summer of 2012, Draghi saw fit to foreground them as such, as an essential feature of a "promissory vision."[238]

Many inside and outside of Europe had good reason to be deeply skeptical of this claim of fidelity to the weighted terminology of social cohesion and solidarity, and they had every reason to dismiss it as a convenient, if not cynical, rhetorical gesture. But the notion that saving the euro required a redesign of the basic imperatives of the financial system and opening them to public scrutiny was nonetheless theoretically plausible. In other words, not just the completion of the project of monetary union, but something more ambitious was needed; something that both ratified the original promissory vision of the European project and went beyond it. What might this transformation look like?

David Westbrook has outlined the fundamental criteria for re-functioning elements of the financial system aligned explicitly with the pragmatic ideals of social cohesion:

> In a global society in which social commitments have been capitalized and are held on a portfolio basis by highly leveraged and interdependent institutions, the traditional imagination of finance—how to intermediate scarce capital between savers and worthy entrepreneurs, while preventing fraud—should lose its dominance, to be replaced by a more custodial understanding of the vitality of stable capital to social order and humane understandings of institutions. The pension fund, the university endowment, or even a bank's sovereign debt portfolio, rather than the venture capitalist and the entrepreneur, should become the paradigmatic figures for contemporary thinking about capitalism and its regulation. . . . Should the relevant elites take this conceptual turn to social capitalism operating on an economy of money, the aesthetics and so practices of financial market regulation will be far different from those that have characterized the last several decades.[239]

Westbrook's agenda approximates what Draghi and his colleagues were contemplating, though they might demur that this transformation was already underway and, as suggested above, its principles of solidarity and social cohesion had become essential instruments for the resolution of the then-current upheaval in Europe.

If the project of monetary union could be threatened by the utterance of "convertibility risk," perhaps it could be saved by the classic terminology of "social cohesion." This is, of course, little more than facile shorthand for what is truly at stake here, the acknowledgment that the resolution of the challenges facing Europe required a language—one capable of modeling societal commitments and promises, that could account for a diversely constituted European public.[240] Draghi's agenda for social

238. Sunder Rajan, *supra* note 10, at 115.

239. David A. Westbrook, *Problematique*, Rethinking Financial Markets Conference, World Economics Association (Nov. 1-Dec. 31, 2012), http://rfconference2012.worldeconomicsassociation.org/problematique/.

240. In a subsequent speech entitled "Revisiting the European Social Contract," Benoît Cœuré, one of Draghi's close allies on the Executive Board of the ECB, further elaborated on these issues:

cohesion and solidarity started, not insignificantly, with European-wide bank deposit insurance, a scheme that linked the private vulnerabilities of depositors to the construction of a banking union.[241] The task was to create a terminology for the technical working of public and private finance that could address human expectations in a manner that would be sufficiently persuasive to re-endow the future with discernable features.

Draghi's most powerful and shrewd insight, as indicated above, was that there was now an audience, a vast audience across Europe that had not yet been constituted as recently as 2009, increasingly anxious for the kind of message he and his colleagues were formulating.[242] Despite the stirring of all manner of populist radicalism and intellectual discontent, there was an anxious public eager for the kind of program—simple, persuasive, and timely—outlined above. There was a broadly constituted European public increasingly eager for a common agenda cast in the familiar metaphors and tropes of European integration, a public that was increasingly impatient with technical objections, divisive political partisanship, and narrowly framed financial interests thwarting efforts at resolution.[243] Here, too, Draghi interpellated an emerging public as protagonists with whom he could collaborate to alter the course of the crisis and shape its aftermath.[244] The public—particularly the Europeans among us—were assuming a decisive role in crafting and articulating monetary stories modeling hopes and outcomes.

Despite this optimistic appraisal, Draghi's agenda may end in tears. Indeed, a small journalistic and academic industry has developed around crafting catastrophic stories about the impending collapses of the euro.[245] Draghi admitted that the currency had, under pressure from the bond market, become untethered from the narrative management of the technocratic officialdom of central banks.[246] He further conceded that if central banks lose control of the monetary story, lose control of their communicative

> In the crisis, the ECB's continued commitment to price stability and the integrity of the euro has been one of the few elements of certainty in a highly volatile and uncertain environment. This commitment to monetary stability is not only grounded in its economic merits but is also a cornerstone of the social contract. It protects poorer households from the dire effects of inflation on purchasing power. It ensures that no redistribution of wealth takes place that is unsanctioned by democratic processes, which is exactly what inflation does. And it buttresses political stability by avoiding the social unrest that unchecked inflation can cause.

Cœuré, *supra* note 166. Cœuré went on to articulate, again in the language of European integration, the new role of the ECB as a key institutional actor in the project of creating and underwriting the multiple dimensions of European solidarity. *See id.*

241. The project of solidarity and technocratic planning that Paul Rabinow describes dates to the early nineteenth century in France and commences with infrastructural projects, public health programs, and the extension of insurance benefits to the public. *See* Rabinow, *supra* note 168.

242. *See* Draghi July 9, *supra* note 172; *see also* Draghi July 26, *supra* note 172.

243. *See* Draghi July 9, *supra* note 172; *see also* Draghi July 26, *supra* note 172.

244. *See generally* Walter Lippmann, The Phantom Public (1925).

245. Hans-Werner Sinn & Timo Wollmershäuser, *Target Loans, Current Account Balances and Capital Flows: The ECB's Rescue Facility*, 19 Int'l Tax & Pub. Fin. 468 (2012).

246. *See* Draghi July 9, *supra* note 172; *see also* Draghi July 26, *supra* note 172.

relationship with the public, alternative narratives are available for stabilizing or destabilizing the link between money and the existential circumstances of the public.[247] In late 2011 and early 2012, the communicative features of the euro were severely tested in just this fashion as the technocratic discourse of the ECB faltered and highly contentious monetary stories circulated, revealing how a public currency can attain highly dissonant features.[248]

In the summer of 2012, Draghi and his colleagues radically recast the monetary allegory. What will result is uncertain. What we do know is that a remarkable monetary drama is unfolding in which monumental shifts of expectations are in play. Whatever the fate of the euro, the outcome, in all likelihood, will rest on the ability of central bankers to model the future with persuasive words that can sustain—or even enhance—the operation of a public currency.

Promissory Vision

> "Wealth, in a commercial age, is made up largely of promises."[249]
>
> Roscoe Pound, 1922

The rancorous struggles that emerged in the midst of the 2012 European sovereign-debt crisis forced Mario Draghi to creatively articulate what is broadly at stake in the management of a public currency: the totality of promises that bind us together. Ben Bernanke and his colleagues on the FOMC were also busy in 2012, addressing the discontents of the crisis with a new set of priorities by which they revised the relational and communicative dynamics of the monetary regime.[250] In the restrained language of FOMC press releases, they, like Draghi, elaborated the manifesto for a public currency with an acute promissory vision.[251]

The FOMC's January 25 statement contained a belated commitment to an inflation-targeting regime.[252] Still, the statement also broached the outline of an agenda that foreshadowed a radical departure from the orthodoxies of that regime—a fact that few noticed at the time.[253] The presaging

247. *See* Draghi July 9, *supra* note 172; *see also* Draghi July 26, *supra* note 172.

248. Peter Levring, *European Stocks Post Weekly Decline as ECB Quells Bond-Buying Speculation*, BLOOMBERG (Dec. 9, 2011, 7:00 PM), http://www.bloomberg.com/news/2011-12-09/european-stocks-post-weekly-decline-as-ecb-quells-bond-buying-speculation.html; Jeff Black & Jana Randow, *ECB May Soften Stance as Draghi's Recovery Falters*, BLOOMBERG (May 2, 2012, 7:00 PM), http://www.bloomberg.com/news/2012-05-02/ecb-may-soften-stance-as-draghi-s-tentative-recovery-withers.html.

249. ROSCOE POUND, AN INTRODUCTION TO THE PHILOSOPHY OF LAW 236 (1922).

250. *See* Press Release, Fed. Reserve (Dec. 12, 2012) [hereinafter Press Release Dec. 12], *available at* http://federalreserve.gov/newsevents/press/monetary/20121212a.htm.

251. *See id.*

252. Press Release, Fed. Reserve, (Jan. 25, 2012) [hereinafter Press Release Jan. 25], *available at* http://www.federalreserve.gov/newsevents/press/monetary/20120125c.htm.

253. *But see* Gavyn Davies, *Major Change in Bernanke's Policy Reaction Function*, FIN. TIMES (Dec. 16, 2012, 6:33 PM), http://blogs.ft.com/gavyndavies/2012/12/16/a-major-change-in-bernankes-policy-reaction-function/; *see also* Robin Harding, *Central Bankers*

came in a section addressing the nature of employment and unemployment:

> The maximum level of employment is largely determined by nonmonetary factors that affect the structure and dynamics of the labor market. These factors may change over time and may not be directly measurable. Consequently, it would not be appropriate to specify a fixed goal for employment; rather, the Committee's policy decisions must be informed by assessments of the maximum level of employment, recognizing that such assessments are necessarily uncertain and subject to revision. The Committee considers a wide range of indicators in making these assessments. Information about Committee participants' estimates of the longer-run normal rates of output growth and unemployment is published four times per year in the FOMC's Summary of Economic Projections. For example, in the most recent projections, FOMC participants' estimates of the longer-run normal rate of unemployment had a central tendency of 5.2 percent to 6.0 percent, roughly unchanged from last January but substantially higher than the corresponding interval several years earlier.[254]

Although this commentary remained largely unelaborated throughout much of 2012, in August Michael Woodford delivered a long paper at the Jackson Hole conference sponsored by the Kansas City Federal Reserve Bank, which provided critical academic background for what Bernanke and his colleagues were contemplating.[255] Then, in the December 12 FOMC statement and in the lengthy news conference by the chairman that followed, the policy imperative was articulated:

> In particular, the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.[256]

With its famous concision, the Committee was establishing the rate of unemployment as the targeting mechanism for its interest-rate policies. It was casting its statutory obligation of "promoting maximum employment" as an overt priority for its future decisions. Put simply, it would publicly target an unemployment rate. But the Committee was doing more; it was also providing us, the public, with its model, a simple conceptual formula by which we could anticipate future FOMC policy decisions. This "forward guidance" anticipated a time, which could not be precisely dated, when the exceptional monetary measures created to deal with the crisis would be curtailed and/or reversed. We would know when that time

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Give Voice to a Revolution, FIN. TIMES (Dec. 14, 2012, 6:54 PM), http://www.ft.com/intl/cms/s/0/cbfae4f4-45e0-11e2-b7ba-00144feabdc0.html#axzz2KzS8FgeZ.

254. Press Release Jan. 25, *supra* note 252.

255. Michael Woodford, *Methods of Policy Accommodation at the Interest-Rate Lower Bond*, Revised Draft of Paper Presented at the Federal Reserve Bank of Kansas City Symposium: The Changing Policy Landscape 44 (Sept. 16, 2012), (available at http://www.columbia.edu/~mw2230/JHole2012final.pdf).

256. Press Release Dec. 12, *supra* note 250.

approached by observing the unemployment rate and adjusting our expectations accordingly.[257]

An inflation rate speaks to the abstract behavior of prices; an unemployment rate speaks to the existential struggles of labor. Shifting from an emphasis on the former target to the latter thus has more than a technical significance: it foregrounds a different promissory vision, a different constellation of public interests. With this policy shift, the members of the FOMC were certainly not seeking to endorse anything like a vast European social model encompassing solidarity, guarantees of social welfare, and human dignity. Still, their commitment spoke to something like an American articulation of the social contract.

One of the most curious features of central bank communications, as indicated at every turn in this article, is their propensity to disguise their most profound and far-reaching features with linguistic austerity. In the FOMC statement from early 2012, there is an aside that is easy to overlook or to dismiss as mere boilerplate:

> The Committee seeks to explain its monetary policy decisions to the public as clearly as possible. Such clarity facilitates well-informed decisionmaking by households and businesses, reduces economic and financial uncertainty, increases the effectiveness of monetary policy, and enhances transparency and accountability, which are essential in a democratic society.[258]

But this austere declaration may well constitute the clearest statement of the social contract encompassed by a public currency. Rather than an explicit guarantee of any particular benefit, subvention, or ennobling prerogative, the commitment is to provide us with the intellectual material—data and analysis—by which we, the public, can make decisions—by which we, as protagonists, can sustain the totality of promises of a distinctive social order.

Mise-en-scène

Janet Yellen's 2013 assertion that "explanation *is* policy" opens the way, as I have argued in this article, for an appraisal of an emergent monetary regime, a public currency.[259] Explanation takes on a decisive role within this regime; it operates not merely as detached analytical accounts, but as narrative instruments for recruiting the public to participate in the creation and execution of policy. Explanation thus unfolds as persuasive stories—underwritten by data and intelligence—by which the public is interpellated as protagonists who collaborate with central bankers in the making, unmaking, and remaking of monetary and financial conditions. I further argued that the intellectual field upon which policy and regulation unfold no longer fully or necessarily conforms to the disciplinary

257. Michael Woodford, *supra* note 255.
258. Press Release Jan. 25, *supra* note 252.
259. Yellen, *supra* note 1.

conventions of economics and finance; rather, it has assumed a broad and emphatic anthropological cast.[260]

260. *See also* Holmes, *supra* note 20.