Leon WANSLEBEN, *The Rise of Central Banks: State Power in Financial Capitalism* (Cambridge, Harvard University Press, 2023, 353 p.)

In his recent book *The Rise of Central Banks: State Power in Financial Capitalism*, Leon Wansleben details "how central banks have redrawn their connections with financial sectors for the purposes of policymaking" [xii]. Existing scholarship on central banks has long recognized the importance of their relationship to the private financial industry. There is the well-known revolving-door argument—suggesting that private financial agents and the central bankers who regulate them are one and the same.[1] There is the historical observation that central banks in most countries began as private enterprises, or at least as private–public partnerships in which private banks pooled their resources to make banking safer by preventing runs, and more profitable by mobilizing more resources.[2] Then there is the view that monetary policy bolsters inequality by disproportionately benefiting asset holders who are disproportionately rich.[3]

In almost every way, central banks are intertwined with the private financial industry, which, in one sense, isn't that surprising. Central banks are meant to regulate the creation of money in society. Private financial agents create money, much more than the state does. So, their tight relationship is natural (even constructed[4]). Nevertheless, critics suggest that the relationship between central bankers and private finance is a problem, like the fox guarding the henhouse. Wansleben's book gives precision to that intuition. Relying heavily on Michael Mann's concept of infrastructural power, Wansleben shows that central banks must conduct monetary policy *through* the existing private financial system. Since the 1970s, economies have become increasing financialized, and finance increasingly global. The consequence, according to Wansleben, is *The Rise of Central Banks*.

[1] For example, Christopher ADOLPH, 2013. *Bankers, Bureaucrats, and Central Bank Politics: The Myth of Neutrality* (Cambridge, Cambridge University Press,).

[2] I.e. Christine DESAN, 2015. *Making Money: Coin, Currency, and the Coming of Capitalism*, Reprint edition (Oxford, Oxford University Press).

[3] For instance, Peter DIETSCH, François CLAVEAU and Clément FONTAN, 2018. *Do Central Banks Serve the People?* (Newark, Polity Press).

[4] See Lev MENAND, 2022, *The Fed Unbound: Central Banking in a Time of Crisis* (New York, Columbia Global Reports).

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Wansleben spends a lot of time and text differentiating his account of the role of central banks in macroeconomic policy since the 1970s from what he seems to see as competing narratives. He is emphatically not one of the "ideational scholars" who "do not have the proper tools with which to analyze how central bankers use these epistemic elements creatively to support particular governing techniques" [7]. Nor, he clearly and repeatedly declares, is he one of the political scientists who see the source of the "neoliberal turn" in the politics of interests. Rather, as he puts it, "my focus on search processes and experimentation under varying conditions transcends the existing literature, which has usually assumed that structural variables, institutional conditions, or the traveling of ideas explain outcomes" [101].

The time and energy Wansleben spends differentiating himself from other commentators and detailing the contribution of his text comes across as a bit overwrought. As I see it, his extensively researched and detailed account of central banking since the 1970s builds on exactly these literatures. Wansleben demonstrates how policies based in a politics of interest and justified and guided by a set of economic ideas are operationalized. Just as education policy works through schools as they are currently constituted, limited by their structure and relationship to the policy authority, monetary policy too is limited and shaped by its interaction with private financial institutions. Wansleben's main contribution, and it is a useful one, is to conclusively demonstrate that "*How* central banks govern, how they intervene in the economy is conditioned by the interstitial positions they have historically assumed in between financial sectors and the state" [66].[5]

He makes a very compelling case, drawing out the importance of the policymaking environment to shifting policy approaches by detailing cases in which different states, facing different policymaking environments, acted differently. Switzerland and Germany, economies with strong corporatist traditions, were more amenable to monetarism, while the UK and the USA were more financialized and as such adopted inflation targeting earlier on. On one level, Wansleben's argument is incredibly intuitive: different policy approaches are more/less amenable to different policy environments. Consequently, policy regimes are not *determined* by knowledge of the relevant theory or the interest of the relevant political coalitions. The institutional environment matters.

[5] And this is not the only contribution of the book. The other one that struck me most in the context of existing literature on monetary policymaking and the state is his insistence—completely correct—that bank regulation and monetary policy are impossible to separate. See in particular: 174.

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And it's not just that the institutional environment matters. Wansleben is at pains to emphasize, and quite rightly, "recursive causalities between financial market developments and central bank innovations." [171] It may be that countries like the USA and the UK found it easier to implement inflation targeting earlier on because of the financialized nature of the policy environment, but it is also true that the central banks in those countries actively supported the financialization of that environment. Wansleben writes,

> A key driver of policy change consisted of central bankers learning about the particular options of operational control that the new finance regime offered, and internalizing the constraints and opportunities that a market-based system imposed on them. Even more, upon realizing the increased leverage that they could gain in such a system, monetary authorities became its key institutional architects. [56]

In practice, this means we saw central banks actively cultivating the financialization and globalization that "changed the operational foundations of policy." Central banks had a "decisive role in constructing" the market-based finance system we see today. Most notable, perhaps, is the role central banks had in developing repo markets, which now dominate so widely.

Wansleben's book is, in essence, an ode to Michael Mann's concept of infrastructural power. As Wansleben puts it, "This concept helps us to understand that central bankers' instruments work only when they encounter favorable structures and institutions in the economy that undergird their efficacy" [52]. In other words, policy regime shifts are not merely a product of changing interests or changing ideas. They also require a fertile policy environment.

I learned a lot from Wansleben's account. I was left wondering, however, about the title. Is what he describes really *The Rise of Central Banks*? He emphasizes their ascendency, suggesting that they are now dominant policymaking agents, whereas in the postwar period, "central banks mattered as managers of the international currency order, but they were not the key movers and centers of power in this regime" [3]. Did the processes of financialization and globalization set off in the 1970s actually lead to a *rise* of central banks, or did they simply change the context within which they were working, rendering them more visible?

Wansleben argues that central banks did, in fact, become more powerful. In a financialized economy, economic activity is generally more sensitive to asset price changes and shifts in the interest rate. Consequently, what central banks do is more impactful. This is hard to argue against. What I struggle with, however, is the implication that this makes

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central banks more powerful, in the traditional sense in which more power means the capacity to act more autonomously. The shift in the policy environment brought on by financialization and globalization may have expanded central banks' power. But we would be remiss not to ask: power to do what? Central bankers in modern financialized states are not empowered to enact any old policies. Rather, exactly *because* of the policy environment that central banks created and that Wansleben emphasizes, central banks are empowered to act through private financial agents and thus, broadly in the interest of private financial agents. Or as he puts it, we find ourselves under a "regime of preservation." In short, the real shift in power, it seems to me, is not in favor of autonomous central banks, but rather in favor of the private financial agents that are themselves the source of infrastructural power.

Or perhaps we could put it this way: insofar as central banks "emerged as the winners of financialized globalization" [17], it was in their capacity as bankers' banks, chartered to ensure the sustainable success of the private financial industry, and not in their capacity as public institutions or democratic bodies. In other words, the power central banks have gained through the process of financialization is not autonomous power to act as they please. It's the power to support the sustained success of the private financial sector. As I mentioned at the start of this review, there are good historical reasons for this, as most central banks were originally designed as private or semi-private institutions aimed at doing just that. As Wansleben himself writes of the Bank of England, it "reluctantly grew into a public institution" [89]. This is what makes central banks so different from other public policy agencies.

To conclude, Wansleben's book is well researched and very useful. It is an in-depth account of the shifting infrastructural power of central banks. I'm not sure it is entirely accurate, however, to describe it as a story of *The Rise of Central Banks*. Rather, it seems to me that the story he is telling is one of a rise in the power of private finance, which is perhaps in this case just a euphemism for the wealthy. He suggests that, since the 1970s, central banks have promoted financialization and increasingly relied on private finance to enact monetary policy. He documents in great detail how this came about through a recursive dynamic between central banks and the economic environment. As the economy became more financialized, inflation-targeting regimes became more effective, and as such central banks encouraged more financialization. The result was the emergence of central banks which were very powerful. They were not, however, empowered to act as public institutions in pursuit of politically determined aims. Rather, they were empowered in their ability to

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support the sustained success of private finance. So, less *The Rise of Central Banks*, and more *The Rise of the Rich*? When we start to look at it this way, Wansleben's book falls more squarely into a larger literature on financialization and the history of private financial powers. His book tells that same story through the lens of central banks, showing exactly how these public institutions have become conduits for private power.

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