The Independence of the Bank of England:

A Sociological Investigation

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Declarations

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Abstract

For over 300 years the Bank of England has acted hand in hand with the rulers of Britain, servicing both Monarchs and Prime Ministers in helping run the UK's economy. Its relationship with government has been varied, but also a permanent one. Despite this long and strong relationship, the Bank of England was relatively under-researched until the financial crisis of 2007, when it took drastic action to prevent the collapse of the financial system in the UK.

In reaction to this, an institution that had previously hidden in plain sight, one that everyone knew of but little about, revealed itself to have powers that few had previously considered. It is in this context that the move to independence in 1997 may be considered, an act which at the time garnered little attention, as it was felt to be a sensible passing of the running of the economy to technocrats.

This thesis asks about the effect of central bank independence in the British polity, and does so in relation to some central sociological questions. It is an examination both of how the Bank of England is structured internally, and where it sits in the wider institutional political landscape. It examines the Monetary Policy Committee, which is at the heart of the Bank post-independence. Questions are asked about the function of this committee and the nature of the people that sit on it. It goes on to consider the wider questions that independence raises about matters of legitimacy and sovereignty. How has independence affected the government's ability to rule and what have the Bank's actions shown us about parliament's legitimacy and sovereignty?

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Chapter One: Introduction

The Bank of England was granted independence in 1997 by the newly elected Labour government following a landslide victory in that year's general election. This was a surprising move as the Bank of England had not played a major role in the election campaign, albeit it was hinted at in the Labour manifesto. In 1946, Clement Attlee's Labour government included the Bank of England in its programme of nationalisation, indicating a tendency for Labour to bring it and other similar institutions into the political fold so as to attempt to minimise resistance to the Party's radical plans for reshaping the country. In this context, independence is seemingly at odds with Labour's approach to the Bank hitherto, and it might have been thought that independence would be more likely to have been delivered during the long Thatcherite Conservative administration of 1979-1997. In fact, Prime Minister Margaret Thatcher (1979-1990) defended the standing relation of the Bank to government, ignoring calls for independence from key figures such as Chancellor of Exchequer Nigel Lawson (1983-1989). The granting of independence, then, by Tony Blair (PM 1997-2007) and Gordon Brown (Chancellor 1997-2007) in the early stages of the new Labour government marks an important break with what had gone before and warrants interrogation.

Since being granted independence 25 years ago, neither the Bank, nor the banking system in general, have been given much sociological consideration. When the Bank of England is discussed, it is normally within the discipline of economics, a field that has been captured by experts using highly technical language. This thesis, instead, attempts to do something different by looking sociologically at the Bank of England's relationship with government and the role it plays in the polity. This raises a number of issues regarding the elite management of society, the role of meetings, the nature of technocracy, the basis of legitimacy, the values of bureaucracy, and the notion of sovereignty, all of which will be examined in this thesis.

First of all, though, what did it mean to devolve powers to the Bank of England? Operational independence was granted based on the Bank fulfilling an explicit remit as laid out in the Bank of England Act 1998. The central plank of this policy was the creation of the MPC (the Monetary Policy Committee) which would be responsible for setting the bank rate at regular planned intervals. The "bank rate" represents the cost for financial institutions to borrow from the Bank of England. It is generally presumed that lowering this rate increases investment as banks are happier to lend, and customers can afford to borrow. Conversely, the Bank has tended to raise rates in order to tighten the money supply, particularly in the face of excessive inflation; a pressing concern at the time of submitting this thesis. The devolution of powers meant that that the Bank could now raise or lower interest rates without government intervention, and this move represented a fundamental break from the past, which had seen the Chancellor of the Exchequer set the rate themselves, if and when they felt it necessary. But, at the same time, the Bank did not have the freedom that the Chancellor had in setting rates previously, as it was given a strict remit to work to – a mandate - which meant that the Bank did not become completely independent of parliamentary politics.

The limiting factor for the Bank was that had to maintain inflation at a level set by government, originally 2.5%. Central Bank Independence (CBI) was, therefore, an attempt by government to act as a precommitment device, tying the Bank to a mandate of low inflation and, with this, price stability. To achieve these goals, experts at the Bank of England were given the power to make these choices on our behalf, in particular the power to raise or lower interest rates. This raises the question of who, exactly, runs the Bank of England (see Chapter 2). The Bank has long been staffed by those who have been directly involved in the market. This has not been previously flagged as important as the Bank was, theoretically at least, working *on behalf of* government which, if or when they tanked the economy, could be voted out and replaced. However, with independence, central decisions now lie at the door of the Bank on Threadneedle Street, which is insulated from the public to some extent, although as inflationary pressures have recently increased, its actions and relation to government have been placed under increased scrutiny. Largely, the success or failure of the Bank is now measured by a single metric: the rate of inflation. After a period of relative stability, we have reached a critical new stage where inflation is soaring, and the price of fuel and food are causing a cost of living crisis. Independence had been readily accepted, due to the "NICE" economic conditions that existed at the time – as Mervyn King stated in his first speech as Governor of the Bank of England, the conditions in the 1990s had been "***n****on-****i****nflationary* ***c****onsistently* ***e****xpansionary*" or "nice" - decade; a decade in which growth was a little above trend, unemployment fell steadily, and, supported by the improved terms of trade, real take-home pay rose without adding to employers' costs, thus allowing consumption to grow at above trend rates without putting upward pressure on inflation (King 2003).The Bank of England, long used to being distanced from the day-to-day nature of politics now finds itself at the eye of the storm.

Indeed, through the course of 2022, the independence of the Bank of England has, once again, become a point of political controversy. Liz Truss, who was appointed as Prime Minster by the Queen on the 6th of September 2022, stated at a hustings that:

> The best way of dealing with inflation is monetary policy and what I have said is I want to change the Bank of England's mandate to make sure in the future it matches some of the most effective central banks in the world at controlling inflation.
>
> (Cameron-Chileshe Financial Times August 3rd, 2022)

This thesis, then, has been written at a time when the independence and mandate of The Bank of England has been placed into question for the first time, in any serious sense, since 1997. To understand the relation of the Bank to government in the present, however, it is necessary to understand both the history of this relation and the reason for the existence of the Bank in the first place.

1.1 The Birth of Political Economy?

The Bank of England has always held a Janus-like position in relation to government, emerging as it did in a relatively chaotic period of British constitutional history. The monarch had only recently been reinstated in 1660 following the revolution, and King William III (1689-1702) sought to draw the English into supporting the Dutch war against the French. The Nine Year War (1688-1697) would absorb the new monarch's time and money for these opening years of his rule and the country was, despite increased taxation, facing "an annual shortfall of some £2 million" (Kynaston 2017:4). As other sources of income ran dry, "the obvious answer was long term borrowing; finally, the special bonds solution: namely £1.2 million bonds…carrying a guaranteed eight percent return of interest and funded from specific taxes assigned that purpose by Parliament…but sold only to subscribers in the proposed new Bank of England" (Kynaston 2017:4). If the King's will was not quite as it was before the revolution, the Bank of England was a success, as "The Book of Subscriptions shows first a sum of £10,000 in the names of the King and Queen followed by 1,267 individuals" (Hamilton and Parker

2016:50). Furthermore, half of this was in cash, which Hamilton and Parker believed implied a “belief that somebody would or could pay up if required” (Hamilton and Parker 2016:51). These loans would be covered by the tonnage act – “the compensation of private loans through customs and taxes on shipping cargo and alcohol was justified through reference to the war with France” (Vogl 2017:76). A circular motion was born – the Bank generated credit for the state of England, while at the same time only existing due to parliamentary permissions, a seemingly self-generating action seen over the years as government repeatedly renewed the Bank’s charter.

Thus, from its inception, the Bank has been entwined with the interests of the state. While its primary aim may well have been to produce a profit for its investors (a decent eight per cent), it was essentially dependent on continued relations with the English government. Should, for example, they have lost the war against France, the investment would have been lost. But rather than being a gamble as such, it helped to develop “credible commitment – that key post-1688 evolution of an institutional structure by which the new dispensation of parliamentary government could be more widely trusted than had even been the case in the age of the Crown-dominated public finance” (Kynaston 2017:21). This mutually generating trust is at the heart of the relationship between the Bank and the government, and what was “Intended to last until 1705, and then until 1710, what began as a financial experiment eventually became permanent” (Vogl 2017:77). The Bank’s position was precarious in its opening decades, but the government repeatedly intervened on its behalf, as its interests lay with the Bank’s continued success just as the Bank’s interests laid with the government. So much so that by the time Bagehot wrote on the money markets in 1873, he commented that the Bank was so ingrained in society that you “might as well, or better, try to alter the English monarchy and substitute it for a republic, as to alter the present constitution of the English money market, founded on the Bank of England” (Bagehot 2001:177). The British state, government and the Bank of England then have long worked in concert with one another.

The space that opened in 1694 signalled the birth of a new relationship between the state and economy and over time they became further intertwined. Over the following centuries, the Bank continued to help maintain the British economy but was also, at times, dependent on government to help maintain its status and position. Even after the first renewal of its charter in 1697, the two sides, if not fully integrated, were already realising that they needed each other. The Bank was prepared to take £1 million worth of debt, but "only in return for four key conditions being met: that the original charter should be extended to 1711; that the Bank should be exempt from taxation, that the government should initiate measures against the counterfeiting of Bank notes" and that finally "no other Bank or any Constitution whatever in the nature of a Bank, be Erected or Established, permitted or allowed, within this Kingdom, during the continuance of the Bank of England" (Kynaston 2017:16). Yes, the King was deeply indebted to the Bank, yet the Bank also utilised this relationship to help monopolise its position. A seemingly permanent institution was, when looked at more closely, found to have a deeply contingent history. Indeed, in 1719 the South Sea Company was seriously considered by government to "supplant the Bank of England and assume the latter's longstanding status as the state's principal lender" (Kynaston 2017:24), but would not succeed.

This long history helps inform our understanding of the relation of the Bank to government, but has been covered extensively by existing studies of central banking (for example, Capie 2010, Kynaston 2017). For this reason, this thesis will have a different focus: the period after 1946, when nationalisation eventually drew the Bank into government officially, suggesting the end of the differentiation between Threadneedle Street and Downing Street. But despite this, formalisation of relations did not change everything, for as Vogl observes: "Key features remained: the informality of the Bank's policy-making, its arcane management, the ad hoc consultation between the Treasury, the Bank, and private interests" (Vogl 2017:80). Indeed, while Labour fought to bring the Bank under control in order to make change possible within post-war Britain, the Governor of the Bank at this time, Lord Catto, rightly claimed that "he succeeded in keeping things surprisingly unchanged in daily practice" (Kynaston 2017:393). This was, in part, because the Chancellor [Dalton] was "underprepared for the technicalities involved", but also because of a "human element": "Dalton was frightened of him [the Governor]" (Kynaston 2017:393). Rather than being absorbed into government, it appears that the Bank maintained its own identity and character while, at least in theory, being publicly owned.

Looking at the history of the Bank of England we find an institution that worked for government when it was privately owned, and this barely changed after nationalisation. The move to independence in 1997, however, adds another page to this story and raises important questions about the ongoing relation between the Bank and government that are central to this thesis. Anthony Giddens, who helped inform the ideology behind “New Labour”, hoped to find a “third way” between the markets and social reform that Labour wanted to deliver without upsetting capital. The first act of the New Labour government elected in 1997 was to grant the Bank of England increased independence, but how should we understand the resulting distance between the government and the Bank of England? And why is it that the significance of this development only became apparent in retrospect, initially through the financial crisis of 2007, and more the cost of living crisis that began in 2022?

1.2 The Nature of Experts and their Role in Government

Crisis is important because, among other things, it reveals existing limits of governance. Governments are always constrained in what they can and cannot do. Ideas of sovereignty, legitimacy, ideology and pure practicalities can all combine in different ways to restrict the scope of governmental action. The core chapters of this thesis will address each of these ideas in turn by examining the composition of the technocratic elites that run the Bank of England (Chapter 2), and addressing at the internal organisation of the Bank by focusing, in particular, on the monetary policy committee. It will further examine the shifting nature of the legitimacy of the Bank of England, the role that bureaucracy can and does play at the Bank, and finally how the Bank of England drives questions of sovereignty, especially in the face of a rise of political populism.

This is not to challenge the figure of the expert, who is not only central to the operation of the Bank of England but to the health of society more generally, but rather to examine the impact that the empowering of one group – in this case central bankers - can have. To turn to Stephen Turner, who has written extensively on the nature of expertise and can help inform our examination here, he states, first, that “expertise is treated as a kind of possession that privileges its possessors with powers that “the people” cannot successfully control” and second, this is hard to remedy as “if the differences are differences in viewpoint, rather than knowledge…a program of extensive public ‘science education’ is merely a form of state propaganda for the faction of ‘experts’ thus a violation of the basic neutrality necessary to secure the opportunity for genuine discussion” (Turner 2003:19). To apply this to the content of this thesis, the fear might be that central bankers now have so much power and control over the economy that it is increasingly hard to challenge their expertise. But, in practice, the economic instabilities of the post-Brexit moment led to increased political pressure on Bank, which found itself under political pressure, while calls were being made to reconsider the faith in banking technocracy that had followed the devolution of powers to the Bank in 1997.

The value of expertise has been subject to renewed attention in the aftermath of the financial crisis, and with the rise of populist politics, both on the political left and political right. Donald Trump, for example, consistently attacked the Federal Reserve during his time in office, and Conservative MPs such Jacob Rees-Mogg and Stephen Baker, both members of the right-wing group the "European Research Group" both criticised the Bank of England. In 2017 Rees-Mogg accused Mark Carney, the then governor of the Bank of England, of being an 'enemy of Brexit' because he considered the Bank's attitude towards Brexit excessively negative. Stephen Baker meanwhile wrote a blog post in July 2022 stating that price fixing never worked and that "interest rates, like other prices, [ought] to be set by the market rather than bureaucratic committees at central banks. The transition will be painful but only the market path can lead to lasting prosperity" (Baker 2022). The populist turns of right-wing politicians such as Trump should therefore be enveloped in our discussions, but cautiously.

Populism does not have an "ineluctable 'inner logic'; as if it were a transcultural and wholly coherent form of political organization" (Molyneaux & Osborne 2017:2) and it is interesting to observe that certain strands of left-wing politics have been equally critical of the Bank of England. While it is fair to note that a critique of institutional power is often at the heart of left-wing politics, Brexit proved to be a key point of division. Many on the left were broadly supportive of Britain's continued relationship with the EU, but some pushed for a "LEXIT" (a left-wing alternative to Brexit), which saw the EU as part of the establishment and central in the push towards a neoliberal economy. In the UK one of the more prominent figures to have pushed a LEXIT agenda, and to have attacked the Bank of England is former Fire Brigade Unionist Paul Embery. In his book Despised: Why the Modern Left Loathes the Working Class, he attacks the decision to pass the Bank of England independence, stating the move was "entirely commensurate with its [Labour's] indulgence of the City and obsession with monetary targets over the needs of the real economy, where new wealth and jobs were created" (Embery 2020:23). This echoes David Harvey's comments on the actions of the Federal Reserve of the 1980s when he claimed it "took the lead in the fight against inflation no matter what its consequences (particularly as concerned unemployment)" (Harvey 2005:1). One question here is why the priorities of central banking have been criticised most vocally by emergent form populist politics, something that will be addressed in Chapter Seven.

It is an opportune moment, then, to return Labour's decision to pass independence to the Bank of England, as it will help us to clarify the exact position, role, and identity of an institution that continues to wield considerable strength despite its critics. In practice, the alleged depoliticization of the process of interest rate setting meant that: a) Labour could no longer manage the economy to specifically match their intentions and b) it was now in the hands of officials at the Bank. But this does not imply a straightforward distinction between politics and officialdom. The Governor is, after all, appointed by the government of the day, and not the bank itself. An online candidate pack for the role notes that the governor is "appointed by the Queen on the advice of the Prime Minister and the Chancellor of the Exchequer. The appointment is for an eight-year term." (HM Treasury 2019). This reflects a change made by George Osborne, from the previous long-standing convention according to which Governors served, but were limited to, two five-year terms to a continuous eight-year stint in office and suggests that there continues to be a close link between government and the Bank of England.

Considering the role that the Governor performs in mediating relations between the Bank and the government, their appointment needs to be acceptable to all parties. Since 1997 increasing numbers of public appointments – now including the Governor of the Bank– have been subject to parliamentary scrutiny via the Treasury Select Committee in accordance with the recommendations of the Nolan report. But, while parliament has "continued to chip away in seeking greater control over public appointments, and in some cases, a veto" (Hazell 2017:4), government has refused to allow this for the Governor despite the committee recommending "that giving Parliament the effective veto over the appointment and dismissal of the Governor of the Bank of England would bolster his or her independence" (House of Commons Treasury Committee 2015:8). Instead, this Committee is merely allowed to review the appointment, but has no input or control over the final decision. I will consider the role of the Governor and their relations with other members of the Bank and government more fully in Chapter Two.

A key concern of this thesis, however, is not just who makes decisions that concern monetary policy, but how they are made. If the appointment of the Governor of the Bank of England lacks transparency, then why should the Bank's semi-autonomous status help to deliver better decision-making? The Chancellor and the Governor used to meet regularly to discuss the interest rate, yet it is now argued that inserting a meeting *internally* in the Bank will result in better decision making. On the one hand, this means that action can be taken decisively as they are not restricted by Commons sessions and bipartisan voting patterns. On the other, does it mean that the Bank is acting unilaterally without democratic oversight? Does the MPC offer an alternative source of discussion, or does it simply rubber stamp decisions made by the Governor and by proxy the Chancellor? This is an issue that will be discussed in Chapter 3 by examining the role of meetings in the context of the MPC.

1.3 How Independent is Independent?

The relationship between the politician and the expert is complicated. I have no wish to cast doubt on the ability of experts at the Bank to aid government in its aims and believe that they are essential in the art of governance in the 21st century as we face increasingly complex and globalised issues. Furthermore, experts can act as part of the checks and balances on government which prevents them from exerting too much power, which some actors, such as fascists are keen to remove. So, while we should tread lightly when it comes to discussing the expert, there are still valid reasons to be concerned about the limiting effect that experts can have on governmental actions. This does, in some ways, reflect the concerns of Max Weber who feared that the domination of bureaucracy, as the most efficient form of governance, would slowly come to define the limits of political action, leaving less and less room for dissidence or change. He accepted the benefits that this rationalisation bought us but asked “how can there be any forces that exist which can impose limits on the enormous, crushing power of this constantly growing stratum of society and control it effectively? How is democracy even in this restricted sense to be *at all possible*?” (Weber 1994:159). Yet the move to independence has not moved the Bank *outside of* politics or turned it into a force opposed to politics. Rather, its actions are limited to and by its remit, which explicitly states that its actions must be “a. to maintain price stability; and b. subject to that, to support the economic policy of Her Majesty’s Government, including its objectives for growth and employment” (Bank of England 2021).

These questions of bureaucracy are becoming more pressing by the minute, when during her brief tenure as Prime Minister, Liz Truss accused the Bank of England of having failed to act quickly enough in its attempts to dampen inflation. This line of thought will only help to shine a light on relations between government and the Bank, and ask how "independent" it truly is. If we return to the Bank of England Act of 1998, we find a statement that undermines all that came before:

(1) The Treasury, after consultation with the Governor of the Bank, may by order give the Bank directions with respect to monetary policy if they are satisfied that the directions are required in the public interests and by extreme economic circumstance.

(2) An order under this section may include such consequential modifications of the provisions of this Part relating to the Monetary Policy Committee as the Treasury see fit.

(https://www.legislation.gov.uk/ukpga/1998/11/section/19)

And, as these extreme economic circumstances are not explicitly defined, they are open to interpretation by the Chancellor and the Treasury, who could step in if and when they felt it was necessary.

If this is so, then how does this relate to our understanding of central bank independence? It is supposed to act as a chain upon government, limiting its ability to act on the basis of short term aims. They are, as Adorno and Horkheimer poetically state, not that different from "The adventures of Odysseus" protecting government from "all dangerous temptations removing the self from its logical course" (Adorno & Horkheimer 1997:47). I will return to Odysseus in Chapter Seven, but in claiming that he, or parliament, can utilise their staff to prevent them from swimming out to the sirens, ignores the truth that parliament is never truly able to tie its future self. This act requires Odysseus to block his crew's ears with wax so that he can enjoy the sirens song, without falling prey to them. The crew, however, continue to plough the same furrow as their ears are blocked. In the same way, the politician can hear the please of the electorate to change interest rates, but the Bank of England cannot, and continue in the same direction that they were instructed to. Of course, once the crew unblock their ears, they are open to new instructions, and as such parliament is ultimately sovereign and is never truly able to limit itself in the future, only place temporary brakes.

One might ask what would happen should the Bank ever act *against* the wishes of government; a question that is more relevant today than at any other time since 1997. To date the Bank has largely worked with the government rather than against it. For example, it helped to prevent the collapse of the financial system after the crisis of 2007-2008, and the furlough scheme was considered a successful response to COVID -19. Quantitative Easing (which sees the Bank of England generating money to buy publicly owned government bonds with the twin aim of increasing liquidity and lowering the returns on the bonds so as to encourage investment elsewhere) was one tool used in relation to both of these events, and neither time was it viewed as excessive or unnecessary. If few members of the public would have acted differently regarding the decision to bail out the banks, considering the options that it had available to them, then this does raise the question of whether reaching the correct decision - bailing out the banks – in the wrong way – via a group of unelected technocrats - worked to undermine it? This question of legitimacy is examined further in Chapter Four

The economist Alex Cukierman wrote that "for industrialised economies, CBI offers a free lunch" (Cukierman 1994:1438), and until the race in 2022 for the role of Prime Minister, and statements made at that time by Liz Truss, there had been little political interest in rearranging relations with the Bank, as both government and the public had been relatively happy with the arrangement. Now, however, "there are ominous signs of a backlash, including in two new books that challenge the policy orthodoxy of recent decades. Two swallows do not make a summer, but they do give reason to wonder if the weather is about to change" (Davies, H 2022). When this thesis was originally conceived in 2018 , there was little talk of the Bank of England nor its status. Four years later, it was a central to political discussion.

How, then, to make an assessment of Bank of England independence? This thesis will show that a non-economist can interrogate the Bank of England despite a lack of engagement with economic theory. It is not a comment on economics as such, but rather an attempt to wrestle with the Bank on sociological terms rather than its own. This thesis is not a critique of the Bank of England per se. The Bank has successfully performed the role that it was given – to maintain low inflation – and has reacted well to several crises that have come its way. Rather, I am interrogating the relationship between the Bank and the government and the relationship between political decision-making, experts, and the decisions that they make. It is vital that we continue to work with experts, but how do we ensure democratic oversight of a group that out of necessity knows better than the majority of the population? The milieu has been financialised, with decisions being made that focus on business and capital involved in the markets while ignoring the wider social context of these actions. In the face of a globalized world, sovereign states have found that their ability to manage their economies has been somewhat limited. Central Bank independence is seen to be an essential tool to help calm the nerves of investors as it implies the seriousness that government views the threat of inflation. However, what does it mean for parliament to impose further boundaries upon its ability to act when global events are already acting as a limiting factor?

1.4 A Statement on Methods

When I decided to write on the Bank of England, no single approach or well-defined set of methods suggested itself. The seemingly most obvious – ethnography – would not have provided the kind of knowledge that I was looking for. While it might have offered a better understanding of the internal workings of the Bank, my focus was on trying to position the Bank more clearly in relation to the polity and public institutions. In my research I found that central banks often lack self-reflexivity, and while producing many internal papers rarely look at their own status or position. Thus, I felt that talking to current members of the Bank would likely only reinforce existing beliefs about its role, and relation to government, and this information could just as easily be ascertained from existing material published by the Bank, or from speeches made by staff. I was not interested in the way that the Bank internally managed its role of producing monetary policy. Latour's work on the Conseil d'État (Latour 2010) illuminated much of what was happening inside the Palais-Royal as it helped the executive branch process legal matters, but was considering an organization that was already well-recognised role in French society and did not need further positioning. The Bank of England, on the other hand, has tried over recent years to makes its decision making process transparent, but is still an often overlooked institution of power within the British polity. Thus, additional work regarding the internal machinations would do little to improve our understanding of its external relations.

The Bank of England and the move to independence have been broadly overlooked as an event that needed interrogation, and as such there has been minimal works produced on it or the Bank itself. Without this, I had to rely on sources that included histories, personal biographies, newspapers articles and speeches. While I went to the Bank of England Archives, which are publicly available, and are capable of producing interesting data that could be used, huge ledgers from the 18th and 19th centuries would not help to explain the shifting relationships between it and the state, as it was nationalised, passed operational independence, then placed, in the current context of writing, on the back foot in the face of raising inflation

The fact that an ethnographic approach had been rejected, however, did not mean that the Bank of England could not be treated as the object of an individual case study. Rather than reflecting on the current internal state of the Bank, my case study was one that sought to examine the Bank' over a specific period of time, and to try and understand how this history could be understood via a series of otherwise familiar sociological problems. Thus, each chapter looks at the Bank through a different lens, those of elites, meetings, technocracy, legitimacy, bureaucracy and sovereignty. Rather than building up a case over the course of the study, each element is used to look at the Bank from a different angle, as I aimed to get a better understanding of it.

Part of the aim of the project was a comparison – but of the Bank with its own history over the last 100 years. By reflecting on the work of C Wright Mills and extending the work of Fourcade in the context of one institution, I was able to see the shifting loci of power as the internal ideology of the staff and the external relations of power gradually shifted. Another option could have been a comparative study of central banks – that may have helped to highlight both how the Bank of England was like its European counterparts, but also stressing its unique characteristics. A number of my chapters could have worked in this context;

however, I believe that one of the thesis's central concerns – the fundamental internal changes at the Bank that has meant that its top staff have been able to make central decisions about the country's economy, and the increasing dominance of technocrats in the polity – would not have been fully examined.

One source that I hoped would be informative was from the field of politics – both those of memoirs and biographies. While no one had written about the Bank straight on, I hoped that the likes of Nigel Lawson and Margaret Thatcher would include their dealings with the Bank, whilst I imagined that the architects of the move to independence – actors such as Gordon Brown and Tony Blair – would have a lot to say in justifying their decisions. However, it turned out that the Bank rarely made an appearance. Thatcher does not even mention the Governor by name, while Brown only really mentions independence in passing. While Lawson did write some amount on the possibility of independence in 1987, and Thatcher's dislike of the staff at the Bank was made clear in her biography, these were morsels that if informative, needed placing in a wider political context and history. The fact that Thatcher hated the Bank as she blamed them for the "Barber Boom" needed explaining, but this also helped to inform how the bank was reorganized. The economic ideologies and beliefs of these politicians needed to be interpreted through the lens of their actions in relation to the Bank of England. This led me to write the chapter on legitimacy, using Max Weber's typology, to try and interpret Labour's decision to pass independence in the first week of power, and examining the relationship between the Bank, Government and the Treasury.

Equally, the MPC releases the minutes from its meetings six weeks after it occurs, and I thus hoped that this would provide useful material, especially as it was alleged to have been designed to help democratise the Bank. What I found were highly technically and complex documents that involved levels of maths beyond my ability. However, it did lead me to question who attends these meetings, and how this was decided, and who the minutes were really published for. This technical capacity also reflected the fundamental change within the bank from its more aristocratic history, which Fourcade helped me make sense of, but also Mary Douglas and Shills, who show us how institutions can change while apparently staying the same.

The turn of the 21st century saw a rise in populism and calls for the return of sovereignty to "the people" from technocrats, thus as an institution that has seen increasing power over that time period, I felt that examining both the nature of technocracy and the power that the Bank did have was of distinct importance. As the Bank was forced to react to the financial crisis, and COVID-19, thus managing inflation and pumping huge volumes of money into the economy via quantitative easing, it led me to ask - how independent was the Bank of England, and how distant was it from both parliament and democracy? To ask these questions also bought up the question of bureaucracy that troubled Max Weber and many since: were they simply tools of government or did they generate and perform their own identities? It needed me, then, to ask who controlled the Bank, and where this power lay, and what they looked like. By asking these questions I both highlighted the nature of the Bank and raised wider questions of how we relate to institutions.

Considering all of this, I have not produced any new data of my own, and was left to reflect on secondary works with the aim to produce a new and clear vision of the role that Bank currently performed. This approach has also been the centre of a long running debate. In 1991 Goldthorpe wrote that he believed that to view history and sociology as the same thing was "mistaken, and - dangerously misleading" (Goldthorpe 1991:225). Without the tailor made evidence that sociologists generated, it would be found that the issues which were being investigated would "probably remain beyond their cognitive reach" (Goldthorpe 1991:226). This was certainly a fear as I waded through large histories of the Bank of England, political biographies that barely mentioned the Bank at all, and economic articles that often threatened to confuse as much as they elucidated. However, as Mann stated in his response to Goldthorpe's attack on "macro sociology", "sociology which is neither parochial nor concerned to generate wholly abstract propositions about the nature of any human community must include the study of the past in its framework" (Mann 1992:46). This thesis is not a history of the Bank of England – recent works have performed this task already – but rather looks at it through institutional analysis and tackles reinterpreted existing historical materials to try and understand the ideology behind them.

I believed that there was sufficient empirical data available already about the Bank of England, but this had never been properly investigated, and thus I chose to use a number of different lenses to see what this different data could tell me. Unlike some theses, each chapter has its own standalone approach, which meant that I could look at the Bank from a variety of different angles, in an attempt to get some kind of hold on its current nature. And while each chapter does work on its own, they also act as building blocks to help attain this new understanding of the Bank. Unlike the three men who are asked but unable to identify an elephant in a dark room and instead each end up describing one element of it, extrapolating from the minimum information available, the chapters in this thesis work together to help generated a clearer image of the Bank in its entirety. Each chapter creates part of the puzzle, which then makes sense when you step back and see it all at once, helping to give the reader a sense of what the Bank of England is today.

Something that stands at the edges of the centre of London and government, the Bank of England was strangely opaque, and whilst much had been written on it, placing it within a sociological framework has helped to bring it out of the shadows.

1.5 Outline of Thesis

Chapter Two will ask who controls and manages the Bank of England. Looking at its history we find that the formation of relations of the Bank has changed over time. Historically made up of merchants and bankers, the new "elite" is a small cabal of like-minded economists all coming from LSE and have identikit views on how the economy should run. This chapter will show that those at the top of the Bank used to have long historic and familial ties to it, but now their shared history, forged in universities, is creating new groups of associates with a shared ideology. As we see this shift in elite formation at the Bank, we may never see the likes of Montagu Norman's twenty-four year reign again, but new ties and relations have formed which have not yet been mapped. How does this new group differ from those who ran the bank before the 1990s?

Chapter Three focuses on the Monetary Policy Committee, which was constructed to set interest rates in lieu of the Chancellor of the Exchequer. The role of meetings has been long seen as capable of bringing together a range of opinions and voices and producing a "rational" decision which all present are happy to agree with. The aim of the Monetary Policy Committee was that it would be democratizing monetary policy and the setting of interest rates, as opposed to being set by a single-minded Chancellor of the Exchequer who would be open to bias and political interests. It could have created greater transparency and accountability, as they make the data that they use publicly available. This means that theoretically, anyone could access this and concur, or disagree, with the decision that the MPC had made as to whether one of three choices should be made (if interest rates should be raised, lowered, or left at the same rate). However, this has raised a number of fundamental questions about decision making and accountability. Meetings are a necessary, but not sufficient, route to successful decision making. This chapter will use this as a basis to investigate the internal mechanism of the Bank, and will ask whether or not the MPC is used simply to rubber stamp the decisions of the Governor.

Chapter Four discusses the role of technocracy, and focuses, in particular, on the composition of the MPC. The argument that technocratic experts are best positioned to make decisions for us regarding the role of the economy has been an integral part of the defence of central bank independence. Groupthink and "silos" questions their ability to think outside the box, and this chapter will further examine claims made about the role and nature of the technocrat. This chapter argues that rather than having access to the "correct way" of managing the economy, it instead denies multiple points of view and works without a plurality of options, reducing them to a fixed limit, while denying the potential for the political. This will not be to deny the necessity of the role of the expert when it comes to guidance and understanding of a situation – "the people" certainly have little interest in the day-to-day running of a central bank – but rather it will suggest that we need to examine our relationship with the Bank and other experts. This chapter will question the relationship between experts and the public, and position this debate within the calls to reject experts by government ministers.

Chapter Five discusses claims of legitimacy, and the relationship of these claims to the Bank of England and its role in politics and the economy. In passing the Bank operational independence in 1997, the Labour government disassociated it with the legitimacy that government carried by regular elections. While the economy is healthy the Bank is assumed to be doing its job, and everything will continue as normal. However, as it is forced to rely on this health to maintain its legitimacy any turbulence in the economy, from external or internal forces, will also affect the legitimacy of the Bank. Is it such a good idea to tie the ability of an institution to such an unstable source of legitimacy? The run-up to independence had seen the Conservative government increasingly trying a hands-off approach to the economy, while Labour were looking for a way to prove their mettle concerning their ability to handle the economy. Going into the 1997 election, the Labour party was already viewed as poor on these matters and were likely keen to bolster their credentials while at the same time limiting their accountability. An independent Bank of England surely did this, but once it was forced to defend itself on its own terms, it was increasingly under pressure and unable to retain legitimacy in the face of events that are often beyond its control. This chapter argues that political legitimacy is not utilitarian in nature, and does not necessarily demand "good" results, as, rather, it is born out of a more complex relationship between people, institutions, and politicians.

Chapter Six considers the Bank of England as a bureaucracy. Bureaucrats are long held to limit change and even stand as a fifth column within society as they necessarily centralise power and knowledge at the expense of government. Their necessity and permanency in the face of the speed of politics means that they can act to prevent radical political change, and face accusations of denying the public will. I argue that this is a false dichotomy and that bureaucrats offer vital help in generating policies that work (rather than political dreaming), and can be utilised to the benefit of government. They are not simply tools to be pointed and directed whichever way MP's may feel, and their work reflects their own values not those of their political masters. Has the Bank developed too much power, and is it able to act independently in a way that does not reflect the democratic values of the polity? Alternatively, can they be found to have always acted within the boundaries of their remit as set by government and managed to reflect the values of politicians and bankers successfully?

Chapter Seven examines the relationship between the Bank of England and the sovereignty of parliament. With public anger growing in the face of increased inflation and rising living costs generating a serious cost of living crisis, how does the Bank stand up to an increasing populist ire at the role it has played, and continues to play, in preventing a government response that would benefit the neediest in society? Parliament is perfectly able to divvy out roles for subordinate institutions to perform but, in the case of the Bank of England, has the passing of fundamental political decisions out of parliament meant that has weakened its own sovereignty? Or is it still the fact that parliament cannot, ultimately, tie their successor's hands? Calls for the reclamation of sovereignty become somewhat of a rallying cry, but is this a useful way to critique actions at the Bank of England?

With rising inequalities and with lower income families facing their budgets being squeezed ever further, the second part of this chapter will meditate on what a populist critique of the Bank of England may look like. Whilst they may demand that parliament and institutions reflect the voice of the people, Canovan asks "what are we to make of the authority of the sovereign people? Can it be exercised, or even clearly conceived?" (Canovan 2005:3).

Chapter Two: Who runs the Bank of England? The Shifting Nature of Elite Power and the rise of the Central Banker

Over the last 40 years, the role of the central banker has become increasingly important. Ever since it was granted independence, the Bank of England has seen its power greatly increase and it has been forced, publicly, to intervene in social and economic crises such as the financial crisis of 2007 and the COVID-19 crisis of 2020. It was at the centre of the cost of living crisis as the public faces rising prices as a result of inflation, the likes of which have not been seen for over 30 years. Rather than this being a political problem per se, those in No.10 are both blaming the Bank for allowing inflation to reach this high, but also looking to Threadneedle street in the hope that they will also be able to bring inflation back line with the Bank's mandate. At a national level, and with their peers on the global stage, central bankers have become what one commentator has claimed to be "amongst the most powerful people in the world" (Navidi 2018:33). If this claim is not to be dismissed as hyperbole, then what is equally as surprising is that there has been so little scholarly work in this field. While there is a large scholarly literature on the new financial elites that have risen over the last 40 years as a result of neoliberalism and financialization, the people and institutions which work to generate and maintain the markets, i.e. banks and bankers, have been curiously overlooked by academics.

Considering this oversight, this chapter has a two-fold aim. The first is to shine a light on a group of people who have been given increasing power over time but have avoided sociological examination: central bankers. The second will be to examine how the changing face of economics has led to the emergence of this new group of elite actors. This chapter will draw on the work of C.Wright Mills to study this new group, much in the same way that Mills worked to trace the new formations of power in 1950s America. Central Bankers are no longer made up of paternalistic members of the aristocracy but are now technocrats who are assumed to have the ability to manage the economy in the face of increasing complexity. As these new elites take the lead on a number of decisions which affect our day-to-day lives, it becomes increasingly important to understand who they are and what is working to maintain their status and identity.

2.1 The evolving nature of central bankers

The first concern of this chapter is to examine the role of the Governor of the Bank of England. While the MPC shares the responsibility for setting interest rates, the Governor is more powerful and more recognised than any of the other members. As such, this role is representative of the fundamental shift in power that has occurred within the Bank of England as it has moved from being an aristocratic institution to a technocratic one. By examining table one (below), we can see that 1993 was a threshold year as Edward George become the first man to be appointed governor without having the traditional aristocratic background.

1 - The Governors of the Bank of England 1920 - Present

Montagu Norman	1920-1944	Eton; Cambridge, left after 1 year at King's College; Merchant Banker; joined BOE in 1907, made Dep Gov 1917.
Lord Catto	1944-1949	Heaton School (though his son went to Eton and Cambridge); Investment Banker at Morgan, Grenfell & Co (now owned Deutsche Bank). Joined BOE as a director in 1941, also served in the UK Treasury.
Lord Cobbold	1949-1961	Eton; Cambridge. left after 1 year at King's College; Joined BOE in 1933 at the request of Montagu Norman while managing the Milan subsidiary of a British Insurance company.
Lord Cromer (Rowland Baring)	1961-1966	Son of 2nd Earl Cromer; Eton; Trinity College Cambridge; Barings Bank (he was related to its founder Sir Francis Baring; Economic Minister British Embassy; executive directorships at IMF, International Bank for Reconstruction and Development, International Finance Corp; Appointed Gov 1961 – did not seek a second term due to conflict with PM. Married into the Rothermere Family.
Sir Leslie O'Brien	1966-1973	Wandsworth Grammar School; joins BOE 1927, becomes chief cashier 1955, Deputy Governor 1966, Governor 1966; His meritocratic values more appealing to the Labour govt (Kynaston p463).
Gordon Richardson	1973-1983	Nottingham High School (independent, fee paying); Gonville and Caius College Cambridge; Lawyer, abandoned for the city – director and chairman Schroders asset management company.
Robin Leigh-Pemberton	1983-1993	Eton; Trinity College Oxford; Lawyer; Chairman National Westminster Bank; Gentleman farmer with a couple of thousand acres of land; chairman of lawnmower firm Birmid Qualcast.

Sir Edward George	1993-2003	Dulwich College, an independent school, on a scholarship; Emmanuel College, Cambridge; Joined BOE 1962, with secondments to Moscow State University, The Bank for International Settlements and the IMF; Deputy Governor 1990.
Sir Mervyn King	2003-2013	Son of a railway porter and a geography teacher; Wolverhampton Grammar School; King's College Cambridge; St John's College Cambridge; Harvard; Visiting Professor at Harvard and MIT – where he shared an office with future US Chair of Federal Reserve Ben Bernanke; Taught at LSE; joins BOE 1991 as chief economist; appointed Deputy Governor 1998.
Mark Carney	2013-2020	St Francis Xavier High School (Edmonton); Harvard; St Peters College, Oxford; Nuffield College, Oxford; Goldman Sachs 1990-2003. 2003 - Bank of Canada as Deputy Governor; Federal Department of Finance as Senior Associate Deputy Minister of Finance; 2007 Governor Bank of Canada; 2011-2018 – Parallel role as Chairman Financial Stability Board (previously – Mario Draghi); Chairman for Bank of International Settlements Committee; Member of the Group of 30; on Foundation Board of the World Economic Forum (WEF n.d.).
Andrew Bailey	2020-present	Wyggeston Grammar School for Boys; Queens College Cambridge (History PhD); Research Office LSE; Joins BOE 1985; Chief Executive Prudential Regulation Authority, 2016 CEO Financial Conduct Authority.

This table shows that there has been a clear shift in the social profile of the Governor from the 1990s onwards; from appointments based on educational heritage, familial ties, and links with merchant banking, towards a demand for technical expertise and specific knowledge or experience of "central banking". Two of the Bank's governors, Montagu Norman (1920-1944) and Lord Cobbold (1944-1949) both dropped out of Cambridge in their first years with Norman's biographer commenting that "had anybody ventured to prophesy at the time that an honorary degree would be conferred upon him in about four decades it is doubtful whether any of those who knew him at Eton or at King's would have believed it" (Einzig 1932:16). This is in sharp contrast to modern central bankers, who are expected to have a minimum of a PhD in economics. Should we accept that these technocratic experts can be trusted to wield power any more accurately or fairly than paternalist bankers of the mid-20th century? Or, have we lost something when we can no longer assume that the Governor will be at all like Montagu Norman, who, as his stepson Peregrine Worsthorne noted, was "exceptionally, almost obsessively, public spirited and high principled" (Worsthorne 2004:38).

Looking at the table shows how much change the identity of the Governor has changed over time. Having come, historically, from the upper aristocratic classes, they are now highly educated technocrats whose appointment is based on merit and not on whom they know, where they were educated or their family histories. While these rationalistic claims have meant that the role of the central banker has become more available to a wider pool of possible candidates, it has *also* helped to generate a new class of elites, who benefit from this new source of legitimacy to help maintain their positions.

2.2 The Aristocratic Basis of Power

As I mentioned in the introduction, one of the benefits of using the work of C Wright Mills is that it helps us to look at the shifting nature of elite power over time. When he was writing in the 1950s Mills focused on the changing nature of elite formation in American society, as power moved from local elites to more nationalised and centralised groups: political, corporate, and military. This typology does not map exactly on to the UK, but it is a useful way of examining how elites in this country are shaped. We can see by looking at Table One that the Bank still had a distinctly aristocratic DNA in the middle of the 20th century, with many of its top tier joining based on familial ties. This is in part because, during this time, the role of Governor was arguably symbolic as much as it was technical. Those appointed were not selected for their academic or economic abilities, but because of their identity and shared outlook and beliefs. These could be relied upon to indicate that they would act in a certain way once placed inside the Bank. What has become clear is that these developments mean that the governor no longer has this same honorific role, and is more involved in the running of the economy.

Over the last 40 years, the Bank and the Governor have seen their public profiles rise considerably from the relatively low-key status that they had held previously. Admittedly, no one at the Bank of England has seen a similar level of success as Mario Draghi who went on from being the head of Italy's central bank to become the Prime Minister in 2021. However, Eddie George, Mark Carney and Andrew Bailey have become household names in a way that no previous Governor achieved. This has happened alongside the role becoming one of technocratic management and no longer automatically identified with the aristocrats educated at Cambridge for "the good of the people". We might ask: what changes have the underlying conditions of society seen to rotate the circulation of elites from the aristocratic land owners to the financiers, economists, and bankers? And how has this process propelled obscure economists into the spotlight? Mills' work is again useful here as it provides a typology of his time: America in the 1950s. He wrote that "For every epoch and for every social structure, we must work out an answer to the question of the power of the elite" (2000:23). The key point here is that patterns of power do not necessarily continue across generations, and so it is a continuous task for sociologists to identify and address the changing composition of elite power. The aim of this thesis is to attempt this task in relation to the Bank of England.

Burnham's work on the "Managerial Revolution" is here useful, as it identifies a tendency for the management of the country to be passed out of the hands of the entrepreneurs and innovators, and into the those of managers. He writes: "As managers exercise their control over the instruments of production and gain preference in the distribution of the products, not directly, through property rights vested in them as individuals, but indirectly, through their control of the state which in turn will own and control the instruments of production" (Burnham 1972:72). For Burnham, this was the road to serfdom as governments commanded "not merely political actions in the narrower sense…nearly every side of life, business and art and science and education and religion and recreation and morality are not merely influenced but directly subjected to the totalitarian regime" (Burnham 1972:152). To some extent he is right, and if we look at table one, we see that there has been a distinct shift of the basis of power, which historically had sat with the aristocratic rich. This aligns with Mills insofar as we can see that there has been a distinct shift at the Bank regarding the identity of its staff. As such, examining this more closely will help us make more sense of the decisions that emerge from it.

2.3 The Aristocratic Bank

Looking over the history of the Governors at the Bank of England, some distinct patterns can be identified. Montagu Norman (Governor from 1920-1944) has been described as being "born in 1871 with a plurality of silver spoons in his mouth" (Robinson 1968:394). Neither an academic nor an economist, what he did have was strong familial ties to the Bank. His paternal grandfather had been a director at the Bank between 1821-1871 and offered, but refused, the role of Governor. His mother's father was Mark Collett, who served as Governor of the Bank for two years between 1887-1889. Norman's successor, Cameron Cobbold, was eased into his relationship with government, in part because his "mother-in-law was, in his words, a life-long, intimate friend of Sir Winston's [Churchill]". I was, therefore, regarded as a near-family friend" (Kynaston 2017:417). The crisscrossing of relations was vast and constant. Daunton's study of relations between financial elites and high society found repeated links. For example, Lord Cobbold "was himself a member of the landed gentry; his relative, Lt.-Col. John Cobbold was married to the daughter of the Duke of Devonshire; and Col. Cobbold's sister married Charles Hambro, the merchant banker and director of the Bank of England" (Daunton 2002:124). Furthermore, a survey in 1914 "of 413 partners or directors of London-based private banks, merchant banks, joint-stock banks, Anglo-foreign and colonial banks, and the Bank of England, who were active between 1890 and 1914" found that "51 per cent were educated at a public school and Oxbridge; this figure rose to 67 per cent for directors of the Bank of England." (Daunton 2002:124). Historically then, we find that the population of the Bank and the City were a tight knit group who came from similar backgrounds.

The internal make-up of the Bank was also reflected in the way that it dealt with those external to it. The Governor was able to rule the financial sector "by his eyebrows" as what he was trying to communicate to the financial industry would have been easily interpreted by those around him. However, if they were used to dealing with those on the same page as them, this could only help make it harder to deal with those outside of finance as "the social divide between bankers and most industrialists makes them all the more hesitant" (Sampson 1984:284). The poor attempts at improving industrial conditions do show some of the limits of the Bank's power and reach. Norman tried with the BIDC (Bankers Industrial Development Company) which was to assist firms to rationalise and reconstruct but "Industrialists came to realise before long that to seek the aid of the BIDC was a sheer waste of time, railway fares, and postage" (Einzig 1932:36). Norman was much more successful in setting up the BIS (Bank for International Settlements) which still meets up on a bi-monthly basis today, stating "Our mission is to support central banks' pursuit of monetary and financial stability through international cooperation, and to act as a bank for central banks" (BIS n.d.). Their shared identity helped to make dealings much easier, and we see that the staff at the Bank are much more successful at making things work with other members of their shared milieu.

By recognising the similarities in one another, it showed that the Bank could be trusted to support the rich merchant families in the face of market forces that were upsetting long standing identities. “The Bank's spokesmen, as advisers to governments and as public figures, have espoused fervent belief in the necessity of exposure to market forces, implying opposition to collective bargaining, economic planning, and government deficits. Yet the evidence suggests that during the 1930s the “outstanding advocate of market individualism chose not to practice what it was preaching to wage-earners and the unemployed”, instead it “protected the merchant banks and many lesser enterprises from the final judgment of the market, both directly and indirectly” (Lisle-Williams 1984:246). While the Bank neither had the ability nor desire to stop the tide of economic liberalism across the country (I am not claiming that any one institution has this type of power) it was able to both benefit from it and protect its friends from its worse effects. We see numerous times businesses and industries being left to ignominiously collapse, but those closer to them from the world of merchant banking were, if not saved, then at least gently lowered into failure.

Ideologically the Bank may be a keen promoter of free trade and markets, but its behaviour regarding those close to it was much more pragmatic. The markets may well have helped to generate large amounts of wealth, but it also generated uncertainties which the Bank of England tried to limit, but only for certain groups of people. Lisle-Williams argues that the Bank was completely captured by the merchant bankers, and continually provided expensive aid to them. “Since 1841, it had been the Bank's practice to answer any enquiry about a Director's firm by 'undoubted and unqualified' reports and to discount their acceptances without limit” (Lisle-Williams 1984:257). This was helped greatly by the close relations with the Treasury, which were maintained by several factors. For example there were the educational ties of Eton and Cambridge. Then there was a common point of view that the City was the primary source of economic growth for the entire country. As the Bank of England *was* dominated by the merchant bankers, it is unsurprising that this was the group that most benefited from its interventions. They were the best represented in discussions, and the Bank’s expertise meant that the Treasury would often bow to their decisions. This was foreseen by Weber, who commented that the general effect of the status order was “the hindrance of the free development of the market” (Weber 1978:937). The aim of any status group is to defend its interests against the destabilising effects of capital and the market.

They were helped in no small part because the belief was that the City was the engine of economic growth in the UK. "The family-like atmosphere of the whole British ascendancy (in the City) up to 1930 misled its members too often into thinking that the public good was at stake when they were organising their own comfort" (Lisle-Williams p 259). The overarching aim was to maintain the City and the banks, out of which growth would emerge. Lisle-Williams sums it up precisely: "It is difficult to avoid the conclusion that the Bank's priorities were established with special attention to the *interests of the financial institutions and with myopic disregard for their impact on the rest of British society*." (Lisle-Williams 1984:260) (my italics). As mentioned earlier, the Bank did not have total control over the development of the state nor was it allowed to make decisions consequence free. The most apparent evidence of this is when the Daily Telegraph reported that "gold to the value of about £6,000,000 belonging to the Czechoslovak National Bank and held in the Bank of England in the name of the Bank for International Settlements, had been transferred to the ownership of the German Reichsbank" (Blaazer 2005:25). This took place due to Norman's close relationship with the German Finance Minister, and because the Bank prioritised the BIS over international relations. It was, even at the time, a controversial move, and one that risked destabilising the bank's standing. Newspapers reported that "the odd relationship should be the British government and the Bank of England should be re-examined without delay" (Kynaston 2017:375). The Governor may have wide ranging autonomy and power, but he could not push this too far, nor rely purely on interpersonal relations and trust which other members of government did not share.

Despite the strength of the Bank and the governor, their power was not limitless. We can see that the bank could not completely hold back the tide of capitalism, and the merchant banking families were more often not saved but merely offered organised decline. Indeed, many rich and powerful men acted outside of this circle, and those inside it were not always guaranteed success. For one, Sir John Reid (who had been Governor between 1839-40), went bankrupt in 1847 (Daunton 2002:132). Norman may have managed to transfer six million pounds to Germany, but a second attempt to transfer Czechoslovakian gold to Germany saw the British government intervene and prevent it, as "the government had not 'recognised the German conquest of Czechoslovakia, and orders from the Bank at Prague are presumably made under German authority" (Blaazer 2005:38). While the Bank's actions were often aligned to the desires of government, we can also see that should they diverge by too much, then government had the power to shut anything down that they did not approve of.

Even after Norman's controversial behaviour, and the nationalisation of the Bank in 1946, we continue to see the prioritisation of status and background when Cobbold was appointed as Governor by the new Labour government in 1949, despite being what one commentator described as a "distinctly Etonian Etonian". This move seems contradictory at first, but it makes sense when considering it was a time when "good Etonian standards meant total trust – if you say you'll do something, you'll do it" (Kynaston 2017:412). It makes even more sense when you consider that the then Labour Chancellor Hugh Dalton had also been educated at Eton. The act of nationalisation did not change the informal relationship between the Bank and the City, which was partly blamed on the class discrepancy between then Governor Catto and Dalton who was "guilt conscious about his upbringing as a canon of Windsor's son, Eton etc, while Catto started work on an office stall in Scotland" (Kynaston 2017:393). Cobbold was hired because as a fellow Etonian Dalton felt he could criticise him in public on a more even keel. Later figures such as Gordon Richardson and Douglas Wass (Permanent Secretary to the Treasury) both attended Nottingham High School. Thain argues that the government was subservient to the Bank due to their greater economic knowledge, which "was particularly noticeable during the last Labour government when money supply targets were accepted after Richardson had publicly argued for them" (Thain 1984:593). However, put in the wider context, it seems like that these were reinforced by good interpersonal relations between the Bank and the Treasury as much as the Bank's superior technical skills, which have not always necessarily been listened to.

These arrangements continued until the mid-1980s when the financial "big bang" shook the foundations of the banking sector. Before then, Sampson could be found to say that "The Governor, in spite of stronger banking laws, still rules the City very personally, like a tactful but dominating parent; not through commands but through advice, requests and warnings" (Sampson 1984:270). But, looking to the table we find that the first governor to be *hired after this watershed moment* was Edward George, who had an extensive history in central banking, and was the first appointee that could be accurately defined as a "technocrat". Chapter Three will focus on the current internal arrangements at the Bank, in particular that of the MPC which is currently the most visible form of action that the Bank takes. Here, however, I will look at the historical shift between the aristocratic forebears of the Bank, and its transition into technocracy and expertise. Up until this point, it seems clear that the Bank favoured those that it knew. In 1921, a company run by one of the directors of the Bank of England faced the risk of failure, but the Bank gave Huth Jackson covert loans up to 14 years after his death. This was justified by the bank as follows –

> Huth Jackson's . . . place in the Bank's Court carried with it a traditional obligation on the part of the Bank to support. Since 1841, it had been the Bank's practice to answer any enquiry about a Director's firm by 'undoubted and unqualified' reports and to discount their acceptances without limit
>
> (Lisle-Williams 1984:257).

This makes clear that there was one rule for those that the Bank knew and trusted, and another rule for the rest.

2.4 The Shifting Balance of Elite Power

The Bank of England’s history, even in the last 100 years, shows that it was rooted in its aristocratic and rather inward-looking past. Staff, especially those at the top tier, were appointed based on their schooling and familial background more often than any level of economic ability. This was in part because the Bank did not look to hire economists, as they did not believe that they required them, and held them in distinct disdain. We saw that this was broadly so even up until the middle of the 1980s, but the appointment of Eddie George in 1993 saw a shift in the balance of power started to move in favour of the technical expertise of the economist, replacing the public-spirited generalist of the aristocratic era. This might be thought of as transition to a new epoch of what Mills called elite power. There is now a large body of work that focusses on the financialisation of the state, and the capture of this power by these new elites that are not associated with historical sources of wealth or status (see, for example, Davis and Williams 2017:19). But little, if any, of this literature is concerned with the study of banking. Marion Fourcade’s work is perhaps the most useful in this regard as it addresses the increasing dominance of economics, but even then it does not situate the Bank of England, central banks, or the banking system in general within a new matrix of elite power. Given this, it is possible to use her work both to help illuminate our understanding of the Bank of England as well expand the breadth of her analysis of the increased powers of the economics profession.

In <u>Economists and Societies</u>, Fourcade draws out a history of economics, as it has "become a legitimate and highly technical, field of scientific study and practice" (Fourcade 2009:2), by looking at three main areas: the orders of learning, administration, and technology, as each one has altered and affected how economics has been perceived. She argues that "a commonly held view within the profession is that economists in various countries and various occupations…agree widely on what constitutes an economic problem, and on the appropriate tools to handle it" (Fourcade 2009:3), but we actually find that there is "tremendous variability in the national understandings and implementations of international economic paradigms as "Keynesianism", "monetarism", or the "Washington consensus" (Fourcade 2009:3). If this is so, then we must look at nations individually to understand how they have arrived at their own precise understanding of "economics" and what an "economist" does.

While the Bank of England is mentioned by Fourcade, it is only in passing, and I believe that looking at the interaction between the Bank and the discipline of economics will help to make more sense of the developments that we see in Threadneedle street. The Bank, we know, did not employ many economists until the late 1970s, by the time that Keynesianism had passed, and the government was facing increasingly loud criticism of their management of the economy as stagflation become a problem for the first time. This helped to drive the popularity of theories such as monetarism, and demand for those who could manage these new theories. This then produced a parallel rise in the number of economists at the Bank of England. The Bank had been powerful up until this point, but this often had as much to do with the aristocratic nature of the staff as the nature of the institution. Going forward a *new elite group*, in a Millsian sense, is generated based solely on the role that they perform, that of a central banker. The teaching of economics slowly devolved away from its traditional centres of Oxford and Cambridge, which had also been the universities of choice for the aristocratic paternalist. They did begin to regain the footing (the three last governors went to either Oxford or Cambridge, including Mark Carney, who is Canadian) but only because they realigned their teaching to match the new economic models, rather than an economic turn to the Keynesianism that Cambridge, in particular, was known for. When the Bank *could have* hired more economists that were being trained at Oxbridge in the 60s and 70s, students who would have worked to introduce Keynesianism to the Bank, we find that it chose not to. Rather, it waited until after

Keynes and the power of Oxford and Cambridge had subsided before changing their hiring practices. Of course, this could be a coincidence, yet it did mean that few Keynesian economists ever got their foot in the door of the Bank of England, and it was easier to navigate the bank in an alternative direction as the newer university graduates began to enter.

Thatcher's appointment of Leigh-Pemberton to the role of Governor also stands at the junction of the two models of central banker. She had a strong distaste for his predecessor, Gordon Richardson, who she called "a peacock of a man" (Moore 2013:344), and was looking for someone she imagined suited the role better. Robin Leigh-Pemberton had followed the normal route of Eton and Cambridge and was "a gentleman farmer with a couple of thousand acres of family land" (Kynaston 2017:588). His tenure from 1983-1993 shows a bridging between the previously aristocratic nature of the City and the Bank of England, and the birth of a new power elite of financiers and economists that emerged out of the financial big bang of 1987. Thatcher wanted someone that she could control at the Bank, but in an ironic twist, as she worked to keep power over it, it was her government's policies that saw the birth of this new elite that, in some cases, are more powerful than politicians.

Thatcher's resistance was an explicitly structural and personal one, and we find her seeking advice from other economists and even central bankers. One trip to Switzerland saw her in conversation with Fritz Leutwiler, the President of the Swiss National Bank (1974-1984), who suggested that "the Bank of England was mishandling the management of the money supply" (Moore 2013:530). Thatcher's suspicion of the Bank of England led to Leigh-Pemberton's hiring, whom Ken Clarke claimed, "was a pleasant but not very forceful country gentleman who had been appointed by Margaret Thatcher precisely for those qualities: she had hoped to control him" (Clarke 20217:306). If this is a possibly unfair description of Leigh-Pemberton and impossible to confirm, at times the Bank and Richardson were "attacked by both John Smith and Margaret Beckett, Shadow Chief Secretary, who accused him of 'doing his bit for the Conservative government who appointed him'" (Lamont 1999:109). It maybe reflects one of the lower points in the Bank's history as its Governor was under the thumb of Thatcher, and perhaps this was part of the reason that they looked elsewhere for sources of power and legitimacy other than the landed gentry. Thatcher's successor, John Major, also stood firmly in the old camp, and according to Lamont "The PM kept repeating he wanted a 'man of stature' (Lamont 1999:321). He only ceded to Eddie George becoming Governor if there was an outsider appointed as his deputy.

Eddie George was cut from a distinctly different cloth to many of those that came before him. He was the first governor to graduate with an economics degree and have a long career in *central* banking. He joined the Bank in 1962 and stayed until his retirement 41 years later. Unlike his predecessors, he was "no gentlemanly capitalist". In fact, his conviction that the efficiency of the market should be encouraged, not resisted, had been pursued with an intellectual rigour that has left the old City gasping" (Augar 2001:322). George's successor Mervyn King, a professor of economics who joined the bank from LSE and is described as the first "academic Governor" (Fourcade 2009:300). Meanwhile the Governor Andrew Bailey, despite lacking a degree in economics, is a career central banker. The process from aristocrat to economist was slow, sporadic, and contingent.

The relationships that are built at Oxbridge are now placed in a secondary (though still important) role to a shared economic outlook, which includes a dominant role for economists. The well-intentioned amateur (such as Norman who in Einzig's words possessed a "common denominator of ability which was bound to raise him into prominence, no matter what branch of activity he chose to take up" (Einzig 1932:20) was no longer desired. Instead, those that end up in positions of power have a shared knowledge of economics which was originally developed outside of Oxbridge at universities like Manchester, Birmingham, and LSE. Their design was distinct from the paternalism of Oxbridge and instead "reflected the priorities of local financial backers" (Fourcade 2009:133). Although Oxford and Cambridge continue to exert power, this diversion outside of their sphere saw economics mutate before returning in its new form. Keynes, who had had such an influential role in economic policy in the interwar years, has been increasingly side-lined in favour of classical economics. They now reflect a merging of the two streams but have been forced to adapt to the "new" economics before they could do so. As such, the fact there is a "long-standing neglect of [Keynes] theory and policies, *particularly at his alma mater Cambridge University*, does not come as a surprise" (Pettifor 2017:84) (my italics) shows have they have had to abandon their history and embrace this new turn of economics.

Once we can see that this new way of economic thinking now dominates, it helps to clarify the appointments that have been made to the MPC of the four rotating external members. This focus on economists and academics with a particular understanding of economics *makes sense if there is a predominant way of thinking not only at the Bank, but in all economic institutions.*

2.5 The New Order

Mervyn King is an example of the very clear cross-over between the Bank of England, academia, and the financial world. He worked as a professor of economics at the LSE before joining the Bank, and a Financial Times article comments that Mervyn King "has quietly become a senior adviser to Citigroup, surprising former colleagues who assumed his disdain for bankers would stop him passing through the "revolving door" between policymaking and finance" (Jenkins, Massoudi 2016). Several relations appear to have been built amongst the external members of the MPC at LSE, as a number work there before (or after) their time on the committee. When Stephen Nickel was appointed in 2000, the Times reported that he "supervised the doctoral thesis of one Sushil Wadhwani, appointed to the MPC as an external member last spring". Although Mr King and Professor Nickell only briefly overlapped at the LSE, this was not the case with Mr Wadhwani, who spent years at the university alongside the now Deputy Governor. MPC member Charles Goodhart is another long-standing LSE academic" (The Times 2000). Tim Besley and Silvana Tenreyro are both academics at LSE while working on the MPC, and Nemat Shafik left her role as Deputy Governor of the Bank of England and her role on the MPC early to become the director of economics at LSE. Of the other current members (at the time of writing), Michael Saunders studied econometrics at LSE, and Gertan Vlieghe gained their PhD from LSE. He also worked as an economic assistant to Mervyn King at the Bank of England (Allen 2015). The idea that the Bank is not a study group is undermined by this rotation of academics from one specific university.

To read the work produced by Bank of England staff and alumni is, for the uninitiated, a frustrating experience. Mathematical formulas dominate Charles Goodhart's[1] work for example, and he falls explicitly on a side in the split in economics against those who in 1987 called to "use mathematics only when its application is a *necessary* condition for achieving the stated objective of the paper…wherever possible, authors are encouraged to put the mathematical parts in an appendix" (Fourcade 2009:152). This "econocracy" is investigated further in the work by Earle et al, who wrote, "we felt that to understand and to shape the world

[1] Goodhart worked at LSE, before taking a 2 year assignment at the Bank of England, before re-joining LSE as a professor of Banking and Finance.

we needed to speak their language, and that's how we all ended up studying economics…" (Earle, Moram and Ward-Perkins 2017:2). As economics becomes the only language that people feel can accurately describe the world around them, we can see that the Bank of England has turned to people like George and King as technical experts are needed to understand the complex economic work that the Bank now performs. Although the Bank had long resisted the turn to economists and had long hung on to its aristocratic past, the financial big bang of 1986 and the rise of the new technical conceptualisation of economics meant that they were no longer able to resist.

No institution works inside a vacuum, and the Bank operates within a wider framework in which its staff need to build relationships with other financial institutions and economic think tanks. CERP (Centre for Economic Policy Research) produced a paper in 1983 called "Independent and Accountable: A New Mandate for the Bank of England". The panel was chaired by Eric Roll, who had previously acted as an executive director at the Bank and had tried, but failed, to become its Governor (Kynaston 2017:479). Charles Goodhart was also on the panel, while Mervyn King was on the executive committee. CERP is a network of hundreds of economists that "actively seeks to animate economic and policy debate amongst the "intelligent public" (Fourcade 2009:174). With such close ties to the Bank of England, they are going to, if not work hand in hand, be more likely to generate homogenous forms of work. As this group begins to dominate, and have control over the academic journals, heterodox economists will be increasingly unable to get their work published unless they meet the criteria set out by the editors. Thus, not only does one view dominate, but other points of view are also barely given a chance.

We see then, a twin narrative occur, as not only does a certain form of economics become dominant, but also a select elite of economists become among the most powerful people in the world. However, as Fourcade observes, this was not a guaranteed history, as it was contingent on unpredictable moments, and local histories. When comparing France, the USA, and the UK, she finds that they hold very different notions of what economists do and look like, then it raises questions about Navidi's journalistic description of the WEF (the World Economic Forum) which is one of the most well-known think tanks in the world. Navidi claims that events like these "tangibly demonstrates that similar people attract each other" (Navidi 2018:8), and that "Central Bankers…due to the length of their terms and frequent meetings throughout the world, know and trust one another and communicate on the same frequency" (Navidi 2018:33). Navidi may see many people interact at meetings like the WEF, but this does not necessarily play out the same way once these actors return to their home countries. Simply being able to speak a shared language does not equate to having a shared ability to act. We must, therefore, be careful not to overexaggerate the abilities of central bankers. However, the sense that all these actors are performing similar roles only helps to reinforce their positions and help to delegitimise those who are on the outside.

Davis, in view of this, rightly argues that "Elite econocrats can now cohere around a sort of shared lingua franca that continues to operate around regardless of institutional instability and elite mobility" (2017:595). In the face of the disintegration of older networks and family ties, this shared ideology is a new common denominator, one that developed outside of the existing halls of power, such as Oxford and Cambridge. Fourcade believes that the Bank has always been "especially proactive in sending their recruits back to university so that they could meet the technical expectations of their occupational positions" (Fourcade 2009:172). This has reached its apogee in an MSc in Central Banking & Financial Regulation at the University of Warwick which is *exclusively* for Bank of England staff. These changes have not just affected the Bank of England, but the Treasury as well, as Davis's research found, "Before 1983, no treasury permanent secretary had an economics degree. Since then, all five have (Macpherson, O'Donnell, Turnbull, Burns and Middleton) and all five have had periods, before or after, working in international finance (the International Monetary Fund (IMF), World Bank, investment banks)" (Davis 2017:599). Though we should maybe pause to consider that both Andrew Bailey and Tom Scholar (their replacement as permanent secretary) had degrees in history, as this raises questions about how and when one must learn and display accordance with economic orthodoxy. It is also, however, interesting to note that Scholar was fired from his role as permanent secretary, as the new PM and Chancellor seek to prioritise growth above anything else. This suggests they do not believe this is an overriding concern regarding adherence to the existing orthodoxy.

There are some pockets of elites, however, that do not fit easily into this schema. Wedel maps out the elite in Iceland, which she calls "Flexnets" and describes as "dense, self-propelling, informal (and, often, long time) trust networks that pursue common goals, coordinating their efforts inside and outside official structures" (Wedel 2014:64). These are informal, relationships between elite members who have known each other for a long time and coordinate their actions with each other, often bypassing or ignoring advice from other elites. During the financial crisis of 2008, Oddsson – the Prime Minister of Iceland - “consulted not even the central bank’s chief economist, but rather his friend and protégé Haarde” (Wedel 2014:71). This is like Will Davies’ argument, which is that “This new distribution and ontology of power undoubtedly marks a shift away from the Millsian definition of elites as those who took conscious decisions, with national consequences, often in alliance with each other” (Davies 2017:244). I would argue however that neither of these match the specific conditions of the Bank of England. Staff there have very specific powers and shared ideology, but little room to manoeuvre. The Bank still offers long term careers (including the Governor’s role which George Osbourne set to 10 years) and little room to move out of its specific sphere. Mark Carney stands out from other contemporary governors as he sounds out the possibility of entering politics, but compared to Mervyn King who has remained in banking and academia and Andrew Bailey who is a life-long staffer at the Bank, he is a distinct outlier. Their skills only have limited transferability, which reflects how the role of the central banker has become less generalised and more intellectually demanding than at any previous point in history.

Conclusion

Fourcade tells us that “The Bank of England, in fact, has a long tradition of being an institutional bridge between academic and policy careers, with elite professors serving in top administrative and advice capacities for prolonged periods of time” (Fourcade 2009:174). This was certainly not true under Norman, under whose reign there was strong internal resistance to the theoretical. “Norman, it is reported, once opined that the Bank was a bank, and not a study group. This adage was often repeated and much admired by many among the generation of officials at the top of the Bank in the forties and fifties” (Kynaston 2017:416). It was not until 1965 that the Bank had a bespoke economics department, yet it has become more theoretical and focused on mathematical models and (even) less interested in the management of the actual economy ever since. Thatcher’s Conservative government of the 1980s can be blamed somewhat for this, due to their disregard for British manufacturing and a focus on the City, but it was hardly new. The Bank has long favoured the City as a source of growth for the British economy. Despite claims that this has all occurred due to increasing globalisation and demands from intra-national organisations, Baker is correct to say there is little evidence to support the suggestion “that views in international and transnational networks and fora had any significant influence on the course of the initial transformation of the British state”

(Baker 1999:82). Ham writes that "the Development of the British Economy has been particularly suitable for such a close relationship between the Treasury and the Bank of England, But the cosy relationship between the two was in fact a very old-established one, and the interconnections between the Treasury and the banking community were deeply rooted well before the 1970s" (Ham 1981:37). The relationship between the Bank and government through the crisis of 2008 to the cost of living crisis of today, however, has revealed tensions that, at times, have unsettled the cosiness of these relations, which remain continually under review.

We can turn to Runciman and agree with him when he says that everyone is united in "recognising how little has changed in the basic form and function of England's political, ideological and economic institutions despite all the changes that have taken place within them and in the culture within which they have evolved" (Runciman 2015:161). International developments did not fundamentally change the social structure of Britain, but for example, the Washington consensus was " influential in the recent decision to give operational autonomy to the Bank of England – a major second-order policy change" (Baker 1999:97) has worked to rearrange conditions somewhat. The shape of society has not changed, as we still have a powerful elite who make vital decisions regarding the future of the country. What has changed, however, is the identity of those who are sitting in these positions of power, and not only are they economists, but economists who have a very specific view of how things work.

The passing of independence to the Bank in 1997 both reflected and reinforced the belief that the Bank is particularly capable of managing the economy on the behalf of the entire country purely due to its technical ability, and at the same time has discarded the belief of the need for "paternalistic values". The new elite of central bankers have both driven, and benefitted from the growth of economics as a discipline, but also have often avoided any undue attention; something that this chapter has sought to alter.

Chapter Three: The Role of Meetings and the Monetary Policy Committee

Chapter Two addressed the role of the governor of the Bank of England in detail and identified a transformation in their social profile from aristocratic paternalism to highly educated economist. Historically, the governor has been a dominant figure at the Bank, as when Norman unilaterally decided to pass Czech gold to the Germans, or the notion that the governor simply had to raise their eyebrows to see a financial plan scuppered. However, when independence was granted, the role of the governor was mitigated by the creation of the Monetary Policy Committee (MPC) as part of the changes at the Bank.

The MPC could, then, be seen as a multi-purpose tool. The first would be the hope that it would help generate better decisions about how to manage the Bank's remit to maintain inflation. It would alleviate the fear of pork-barrelling[2] as the decision to change the rate of interest would no longer be in the hands of a politician who could use it to benefit his supporters. Having a group of economists collaborate should also help to prevent the repeat of the governor making unilateral decisions that have been so problematic in the past. Even though the governor should be firewalled from the day-to-day pressures of politics, the notion of one person controlling such a decision is still against the common values of democracy and accountability.

The granting of independence then saw a twin movement of both increasing the Bank of England's power, but at the same time seemingly trying to limit that of the governor. This move represents a serious shift in how the Bank relates to government and within itself. Furthermore, the MPC was given power over one of the central tools of political economy, the interest rate. Therefore, the people that sit on the MPC, and the way it conducts business deserve closer sociological attention than it has had previously. This is particularly interesting as there has historically been political debate over the role of the Bank. Margaret Thatcher and John Major both wanted to keep this kind of *political* decision within parliament, and Liz Truss suggested that the Bank should have raised interest rates sooner to try and quell

[2] The term "pork-barrel politics" refers to instances in which ruling parties channel public money to particular constituencies based on political considerations, at the expense of broader public interests (Sham 2017:1)

inflation, critiquing the whole raison d'etre of passing independence in the first place – to limit political control over economic decisions.

Meetings and committees are often viewed as useless and a waste of time, yet we continue to hold them and believe that they can help to produce rationalistic discourse and decision-making. This chapter is not a discussion of the benefits of passing decision-making to an independent, non-partisan agency. This would be an impossible counterfactual to prove. But, as the Bank faces choppy waters, this chapter will consider what the purpose was of passing independence to the Bank of England, and will ask why the MPC was formed specifically to deal with the issue of interest rates. What benefits did the Bank and the Labour party believe that this format would deliver, over and above preventing the decision to simply passing to the Governor instead of the Chancellor of the Exchequer.

3.1 The Politics of Inflation

The turn to CBI and the MPC can be seen as being a conclusion to an economic debate that had been running for almost 30 years. Through the 1970s and 80s, both the Labour and Conservative parties found it increasingly hard to deal with wider shocks to the economy. They faced constant political pressure to improve conditions for everyone but lacked the economic tools to do so. As such, they were both looking for ways in which to distance themselves from this deeply problematic part of governance. The Conservative party turned to monetarism[3], and after a long period out of office, the Labour party *immediately* devolved power to the Bank of England. We can help to make sense of this decision by looking at the history of inflation from 1970, and its volatile political effects.

During the late 1970s, the Labour government faced stagflation: a combination of low economic growth, and unemployment but also higher inflation – the traditional opinion being that high unemployment would *help lower* inflation. During this period Labour Chancellor Denis Healey was forced to go to the IMF to borrow $3.9 *billion* to help shore up Britain's balance of payments. In return, the Labour government would be forced to enact demands from the IMF, including budget cuts and monetarist targets. Despite these being the conditions that the Conservative government inherited in 1979, many conservatives did not believe that the Labour party were committed to any sort of monetarism. Samuel Brittan in the Financial Times did not feel that the government really believed in their actions, and

[3] Monetarism is the economic theory that government should focus on the volume of money circulating in society, and not direct intervention into the economy.

“scornfully dismissed [it] as ‘unbelieving monetarism’, declaring that ‘they have belatedly and inefficiently been pursuing a money supply policy at the behest of overseas opinion in which they do not have their hearts and are therefore carrying out badly” (Kynaston 2017:520). Nigel Lawson who was one of Healey’s successors in No.11, accused them of making supporting statements which were “little more than lip service designed to attract international financial support” (Lawson 1993:987).

Unlike Labour, the Conservatives were true believers of monetarist policy and were likely to try and stick to them, whatever the economic and political cost. Theoretically, dropping the base rate (the rate at which the Bank of England pays to other financial institutions to hold money with them) meant that there would be more money available in the wider economy as banks would be prepared to lend more money. This would increase demand and thus generate jobs and increase wages. But despite these short term gains, to which any Chancellor’s head would inevitably turn, economists tell a different story, one where the markets readjust to this new level of money leaving us with “all the inflationary cost, but little sustained benefit” (Eric Roll – CEPR 1993). Any politician must work to balance the short term benefits with the long-term costs.

These short term political and economic goals are an anathema to those trying to run a stable economy. Chancellors and Prime Ministers over the years have repeatedly made this point. In the words of Thatcher: “Injections of monetary demand, which in the 1950s had produced a rise in real production and a fall in unemployment before causing a modest rise in prices, now went directly into high rates of inflation…” (1993:8). As Nigel Lawson told his audience, “The position is clear and unambiguous. The inflation rate is judge and jury” (1993:481). Kenneth Clarke’s disputes with Eddie George were marked by “The kind of partisanship and short-termism from which I had already determined we would break free” (Brown 2017:116). For Brown, the “overriding priority was to move Britain from its post-war stop-go economic volatility towards a new macroeconomic stability” (Brown 2017:115). This is the theory standing behind many decisions of the last 40 years, not least the decision to make the Bank of England independent.

The granting of independence was, then, argued to *aid* government in the management of the economy, but it feeds into a distinctly undemocratic undercurrent. “Inoculating central banks from the partisan and electoral efforts” McNamara writes “is the policy prescription for the hypothesized shortcomings of democracy" (McNamara 2002:52). For example, the Chancellor can no longer arbitrarily drop interest rates just before an election to get a bump in the polls, ignoring any long-term negative effects it may have on the economy. But at the same time, as Liz Truss pointed out, the Bank of England can be accused of failing to act readily in the face of democratic pressures. Decisions are rationalised in the hands of the technocrats in central banks, who meet regularly to decide if rates need changing, giving it hitherto unseen predictability, but what is lost in distancing it from the democratic process?

Central Bank Independence (CBI) has been placed on a pedestal by economists. "For industrial economies, CBI offers a free lunch. It brings lower inflation without interfering with the process of growth" (Cukierman 1994:1438). By placing the nexus of decision-making within the Bank of England, all will benefit from decision-making free from political interference and pork barrelling and thus, it is claimed, to make investment much more attractive as the economy should be much more stable.

3.2 The Value of Meetings

Setting up the MPC meant transferring interest rate decisions to a committee whose main authority is generated *because* it takes the form of a meeting. What, however, is the value of meetings, and what benefits that they can deliver? Schwartzman offers a negative view, arguing that "it is assumed that most meetings, in most organisations, are ineffective, unproductive, inept, chaotic, incompetent, wasteful, ridiculous, boring, tedious, silly, and so forth" (1989:53). This position, however, is perhaps indicative of how many people *feel* about attending meetings, rather than a statement of their actual value. This leads to two questions: first, why do people feel so strongly about meetings, and second why transfer executive power over to a group, which means it will be harder to act quickly and decisively? To go one step further, considering the vast amount of empirical data required to make the "right" decision, might it not be better to leave it to a computer model? Even if the technology was available the idea has already been rejected by the Bank of England. In a speech in 2007, Mervyn King asks this question:

> *If the economics profession could agree on a model which described exactly how the economy behaved, then it would be possible to set up a Royal Commission of the country's leading economists to determine the optimal 'reaction function' for the Bank of England to follow. It would specify how interest rates should respond to the unfolding of economic data. It could even be implemented by a*

computer without any need for a Monetary Policy Committee at all. That sounds quite attractive (especially when you've attended 120 meetings!)

*(*King 2007:10).

Even though he disparages meetings at the end, King still holds them in higher esteem than the algorithm. In Financial Stability Paper no.17, the Bank comments that "The simplicity of much of RAMSI [Risk Assessment Model of Systemic Institutions] means it must be combined with judgement when running stress tests" (Burrows et al 2012:4). We thus face a dichotomy regarding meetings: on one side they are viewed as an inefficient use of staff and management resources, yet we do not appear to have produced a system that can replicate the decision-making of meeting *without* the accompanying noise and distractions. Thus, the MPC was born, reflecting a continued belief in the value that meetings can deliver.

One hope for the meeting is that, by placing several different points of view together, they will be able to form a solution which meets all of their needs. Gordon Brown placed external members on the MPC, hoping that they would "breathe life into the Bank and hold its Governor and his lieutenants to account" (Conaghan 2012:5). They would be chosen "from the broadest possible group of members, including, to the dismay of many, non-British citizens" (Brown 2017:120). As Gordon Brown was a critical figure in devolving power to the Bank of England, it is perhaps unsurprising that he would use his biography like this to justify the decisions that he made while he was in power. A more critical point of view might question his hopes, and suggest that the meeting acts as a front for a decision that has already been made, and only exists to help facilitate interpersonal relations and broader social signals; "*while they appear* to be making a decision, solving a problem, formulating policy, and so forth." (Schwartzman 1989:42). The MPC could be seen as being much more beneficial in a symbolic way than a rational way. This is not to deny the value of meetings as such, only that perhaps we should consider the wider context in which they exist within, and how these affect the decision-making processes.

3.3 The Nature of Meetings

"For the most part, meetings are now held in order to facilitate talk about mutual plans and relationships"

Van Vree (2011)

The stated aim of passing rate-setting to the Bank of England was to remove the partisan interests of politicians and prevent any one MP from using the general economy to benefit a particular group. This does not, however, explain the choice to structure it as a meeting, but it does match the wider polity in which meetings are an increasingly central part of everyday life. especially in political and business circles. The more important you are, the more meetings you are expected to attend. Upper echelons of management find themselves spending most of their time "discussing, deliberating, negotiating, and deciding in groups. If they are not actually participating in meetings, they are preparing the meetings or processing the results of them" (Van Vree 2011:242). On the flip side, "Little or no participation in meetings is characteristic of an outsider position in society" (Van Vree 2011:252). Meetings are the new frontline of business, where decisions are made about what will be done and who will be doing it. Despite the cynical belief that meetings are not an efficient way to manage one's business, they are increasingly being used for such a purpose. Despite such a negative view of them, not being present at a meeting can be equally bad news as it means a lack of involvement in making any level of decision.

This is a relatively modern view of meetings, which have a history of being unproductive, and at times violent. In 1419, at the heart of the hundred years' war, attempts to reach out to the opposition saw French King John the Fearless organise a "meeting" on a bridge, in the hopes that it would prevent violence. However, "as soon as John and three of his men passed through the door, they were murdered" (Van Vree 2009:38). Signing up to a very precise definition of meetings involves placing them at the heart of the development of society and that without them we would not have seen change occur in such an egalitarian and mutual manner. And, as more people attend meetings, it enforces more civilised behaviour amongst those present. It is harder to insult individuals or groups of people if they are in the room with you. Women and foreigners thus found the double benefit of both getting better treatment both inside the meeting setting and seeing their issues being discussed and dealt with.

Since these rather brutal occasions, meetings have developed and been given a distinct ontological status: in 1871 the Supreme Court of the Netherlands gave it a precise legal definition when "The Solicitor General said, "Meeting is, in my opinion, gathering together of by means of appointment or summons for a communal aim" (Van Vree 2009 p17). Any meeting which lacked this context, such as religious celebrations or recreational events at a pub would not be given the legal status of ‘vergadering’. A gathering is *only a meeting* when people use it to reach a decision or enter into an agreement. Over time society has become increasingly complex and interdependent and relationships stretch over longer periods which has increasingly demanded the use of meetings in this way. Meetings have walked hand in hand with the increased bureaucratization of society, something that we will discuss further in chapter six. They both encourage a rule based attitude which means that one should not allow one’s emotions to run away from oneself. They function on the assumption of increased predictability and therefore more balanced meetings dovetail with an increase in rationality perfectly.

3.4 Meetings as a construct

This model is based on a normative set of beliefs on how society functions and how people work together. It assumes that assorted members of a community group together, collate data, and rationally evaluate it, reaching the best solution available to the issue at hand. If meetings truly functioned like this, then there would be no argument against turning *all* political decision-making into this format. Instead of parliament, and the act of voting, we could instead simply place people in a room together until they rationally calculated the best course of action. Gordon Brown realised that passing the rate decision to the Bank of England without changing the internal arrangements of the Bank, would simply replicate the problem he was attempting to solve in the first place: a single character making decisions that affected a plurality of interest groups. “We are not in the business” he said, “of depoliticising interest rate decision-making only to personalize it again in one independent Governor” (Kynaston 2017:715). Despite the recognition of the technical ability of the Bank of England, its structure had been a worry for the Treasury since 1993 when the committee model was envisioned to “dilute the ‘excessive concentration of responsibility and power’ in a ‘Governor-only model” (Patel 2008:33). The meeting offers a way of producing these decisions in a discursive manner, reaching a shared decision that did not directly represent the political interests of any one given person.

This is, for Van Vree, part of the “civilizing process”, as described in the book of the same name by Norbert Elias. This implies, he wrote, that “Civilizing indicates the course of psychological processes *in a certain direction*” [my emphasis] (Van Vree 1999:4). Meetings are suggestive of a teleology in which society becomes less combative, reflecting our increased interdependence upon each other. Much as we treat people with greater respect and kindness when they are in the room with us, so we are more likely to recognise people whom we wish to trade with as equals.

This notion of civilisation however seems to bear much more in common with the classic liberal views of Locke and Adam Smith than with Elias, who was making a much subtler point. This treats the birth of civil society both as inevitable and as uncontestably in one field: the economic; it is however no such thing. The “liberal position sees the effective powers of civil society as basically residing in the economy, in property rights, and markets where such rights may be freely exchanged” (Khilnani 2001:13). This breaks down existing relations and replaces them with trade relations which demands only that when you meet someone to trade with you show them politeness purely out of utilitarian reasons. But even more than this, there was the belief that this generated a civil society that rose *above and beyond simple needs.* Khilani, for example, argues that “Commercial societies thus made possible a higher form of human association, based not upon exclusive and non-voluntary relations (like fictitious kinship bonds or patron-client relations – both forms of human relation typical of pre-commercial societies) (2001:21). Meetings, deals and trades all become generative sources of society as people chose whom they trade with, whom they trust and whom they have relations with. This liberates people from existing structures and traditions within which they had previously felt trapped. Alongside this, meetings become the default form of society: they are used to discuss trade, how the state should utilise its monopoly on violence and even the best way to behave in meetings.

This is a distinctly endogenous point of view of the source of social change. The idea that we adapt new behavioural patterns *due to* our increased interdependencies feels a bit like a chicken and egg situation. It does not ask why we ended up having more meetings in order to generate the increasing interdependence that made the need for meetings in the first place. People must have had shared objectives and the belief that interpersonal relations were in some way possible *before they decided to have a meeting in the first place.* Otherwise, there would be little point in arranging a meeting in the first place. Elias argued that there was an increasing centralisation of power in Europe, as it moved away from older feudal structures. He notes that society was getting more interdependent and complex. In feudal society, “The interdependence of people was less. There was no stable power structure stretching across the whole region. Property relations were regulated directly according to the degree of mutual dependence and actual social power” (Elias 1982:234). These relationships slowly migrate from internal disagreements between feudal lords to inter-state relations as nations battle for power and wealth, but with relative internal stability. Elias focused on etiquette in post medieval times and found that “the changes in etiquette over that period had been dramatic…How could these changes be explained? Elias argued that they were associated with modifications of the power structure” (Linklater and Mennell 2010:389). Elias was looking at changes in society and then tried to understand what had driven them. We should be wary of looking at the changing role of meetings and assuming that they had some kind of causal power.

The centralising tendency that Elias described meant that fights between individuals were prohibited as it was the state which monopolised violence. This had a limiting effect on each person’s emotions and habits as well but is not indicative of either a purposeful effort to become “more civil” or that we are travelling in a certain direction. The civilising process, which takes place over long periods, takes backsteps, sidesteps and lateral moves that are unpredictable. It is entirely wrong to retroactively apply any kind of teleology to this behaviour in an attempt to make sense of it after the matter. There are repeated examples of opportunities to rationalise and improve the meeting process, but historic weight and the institutional environment prevented this from happening. The Commons Chamber in the Houses of Parliament was destroyed in 1941 during a bombing raid and had to be rebuilt once the war had finished. The chamber had been built so that the space between the two sides was wider than two sword lengths, to prevent the debate from tipping into violence (UK Parliament n.d.). This design, in the home of debate in the UK, could be frightening to the uninitiated. When Montesquieu visited the House of Commons in the middle of the 18th century, he commented that “The day before yesterday, I visited Parliament and attended the lower house; they were debating the Dunkirk affair. I have never seen passions run so high” (Montesquieu 2002), and he thought “the country to be on the of the eve of a civil war until the opponents started to compliment each other at the end of the debate” (Van Vree 2009:213). The civilizing tendency had not then reached all corners of British society, and some elements resolutely failed to be enveloped in it. As such, when Parliament was rebuilt, the original style was kept rather than it being built in a more egalitarian semi-circle style that can be found in other government offices around the world. It also suggests that debates can still happen in a meaningful way, despite *appearing* to be close to the edge of violence, and that just as equally, people can have perfectly polite conversations with no intention of following through with anything agreed upon.

In In the King’s Shadow (2010) Manow suggests that this process has been distinctly *not* rationalistic but instead stuck in local histories and nationalistic pride.

Even though other counties have chosen to alter how they meet – round tables, semi-circular parliaments – England, for example, has not followed suit, despite evidence that these changes would produce better results. If you want a sign that little progress has been made in the Houses of Commons, Parliamentary Practice by Erskine May was written in 1844 and is still used as a reference book to this day. To get a more accurate view of the role that meetings play in society, we need to include the diaspora of values in which they are situated, but also the different ways in which people understand and utilise them. There is no one simple theory that can be used to explain every occurrence of a "meeting". The field of ethnomethodology examines how the social order is produced *through* the processes of social interaction. The theory proffers the view that meetings *create their own meanings* via their *own internal logics*. Maynard and Manzo's work on the decision-making process amongst a jury in a court case shows us an example of this alternative way of thinking. Here, the members of the jury were given direction towards a sense of law and justice by the judge, yet they formed their own idea of what "justice" looked like, and retroactively applied external values to their final decision to make it match.

In the court case that they examined, the jury, using their "special level of conscience" (lines 6-7), could acquit the defendant because of the possibility that an "injustice" had been "done to him" (Maynard & Manzo p180). Much like the French "Conseil d'Etat" the conversation is itself generative and creates justice and law. These are not free floating concepts which people can pluck out of the air and apply to a situation, regardless of what the judge had said. Rather they are created – within certain boundaries found both within and outside the meeting setting – by those partaking. This form of meeting almost takes an abstract form that exists outside of history. It is as if by passing through the embryonic wall that surrounds the meeting the participant is transformed somewhat, all in a similar manner, that enables them to reach a shared decision that might have been impossible in another context. This is enabled and generated *within the meeting system.* No partisan interests are considered, only that which is discussed within the boundaries of the meeting.

For the ethnomethodologist, the focus of any conversation is the language that is used within it. They believe that language has the power to create and maintain a sense of a common world. The world, then, would be built by those performing the conversation, which would work to generate this common point of view. The inner logic of the conversation is constructed within it and does not need any external points of reference for it to make sense. Thus, we see in the case of the jury, that they construct arguments within the confines of the deliberation so that they can reach a decision that they believe to be just. This does not reach for any precedents, and actively ignores the advice given by the judge. If we take this stance to its logical conclusion then we need only focus on any given conversation or meeting to fully understand what was being discussed, and the implications, as everything *should* be available to us within the context of the discussion itself.

If these meetings do have their own internal structure and logic, then it would be correct to say that minutes "become an extremely strategic research field for those who want to sharpen the picture of long-term changes in the relationship between social ideals and social facts, between language and social reality. In what words and terms did successive generations of dominant groups depict society? What societal changes and goals did they aim at? What, in fact, happened to their plans?" (Van Vree 2011:245). But this would also not be possible if meetings were not internally consistent and did not always relate to the external world in the same way. If meetings were becoming more uniform, minutes would reflect this. Yet minutes are quite varied, dependant as they are on the local minute taker, and the context required to help make sense of the debates being had.

3.5 Situating the Meeting

There is a tension then, between the two conceptualisations of how meetings are constructed. Ethnomethodology has suggested that meetings have their own internal structure which makes sense *on their own terms,* and which generates meaning and understanding for its own members. Alternatively, we can ask if actually meetings necessarily reflect the wider society that they are part of, then people cannot leave their values and beliefs at the door. Perhaps it is easier to do this in some meetings than in others? When a jury is selected, they explicitly are not supposed to have relations with the defendant else this would bias their decision. It is easier to make objective, abstract reasoning on the law when it does not affect you directly. It is important, then, to understand meetings within their wider social and political contexts in order to understand how they are likely to proceed.

To do this, four levels must be examined to understand how a meeting is structured and what kind of decisions are possible. First, which other decisions, made elsewhere, have a direct impact on what can be decided in another meeting elsewhere? Second, the way meetings are created can affect how they perform. Third, when and where a meeting occurs, and who is invited, can have distinct ramifications for how it is held. Schwartzman argues that meetings are as much about what happens *around* the meeting, as inside it. Fourth and finally, they are used as a symbolic measure to indicate something about the firm that the company wants to be expressed to the outside world.

Not all ethnomethodologists take a hard-line approach when it comes to world building. Mehan accepts that it is vital to understand how two people relate to each other and understand the situation that they are in. but this is at times influenced by decisions that have been made *in other meetings*. "There are" he writes "more things happening in social interaction than are captured by analysing the syntactic structure of conversation" (Mehan 1991:79). This means that we do not deny the autonomy of people in meetings, or that they are unable to reach independent decisions which are not necessarily tied to existing routes. However, they are not impenetrable, and they can be affected by other meetings, even if some or any of the members were not present. Other decisions made elsewhere do not only limit options but can also generate other possibilities. A meeting is not *always* an island. To see this is to understand that a meeting does not offer an infinite range of possibilities, but more like several options that are currently possible within the institutional framework that they are operating within.

At the outset of this chapter, I considered the role that meetings could produce in helping to generate decisions that were not only rationalistic but also free from external political interference. Not only would the MPC bring an end to the pork-barrelling of benefits that abuse of the rate of interest could bring, but by grouping together a number of experts they could reach new heights of decision-making about the economy. However, whichever way we look at it, meetings still offer problems for the democratic process. Should they construct their own internal language and discourse, then this will only help to create barriers between those making the decisions made inside Threadneedle Street, and those who are outside. However, if there is some seeping through the membrane, if we cannot guarantee that meetings are entirely self-sufficient, then this leaves us with the question, what *is* influencing those inside the room? To fully understand the MPC, we must consider who sits on it, and where it sits within the polity in comparison to other decision-making meetings and bodies.

Before the MPC meets, there is an internal meeting at the Bank of England where "the Bank provides briefings to the Governor and eight other committee members on what they believe are the key issues relevant to the interest rate decision that will be made the following week" (Holmes 2014:183). We can already see that *other meetings* affect how the MPC will make its decisions. In his account of this meeting, Holmes suggests that there is a sense of pure rationality to it: "Respect for good ideas and acute insights seemed to trump seniority, ratifying and reproducing the norms that govern the work of the Bank" (Holmes 2014:184). Yet meetings must have some sense of direction and a shared understanding of what it is that they are attempting to achieve and how they can achieve this that can be linked back to the external world. The Bank of England's remit is to keep inflation low, which they manage mainly via the base rate of interest. If an idea were to be bought up that strayed too far from this, it would, if not be meaningless, lack much traction. Hierarchies exist within organisations to help filter ideas like this. One person decides what will be talked about and who will be talking in the meeting, meaning that they have a distinct ability to shape the outcomes of decisions. They can control what comes in and out, but this can also mean that "information from outside sources fail to reach areas of the organisation where it might be effectively used" (Pettigrew 1973:234).

Considering this, we may ask: who acts as the "gatekeeper" for the MPC? The answer is that these meetings are permanently restrained by the Bank's remit to keep inflation within a set parameter. Thus, despite resembling a democratic forum where anything *could* be raised, in actuality, everyone there already knows the specifics of what is going to be discussed, and what options they will have available to them. In this sense, they are acting on behalf of those that have been democratically elected and asked them to discuss this matter, but it also shows how little room for manoeuvre they are given, and considering this, why turn to the format of meeting at all?

3.6 A (Very) Brief History of the MPC

A (relatively recent) history of who sets interest rates shows that even though the Chancellor was often keen to show they made the decision, the Bank of England was always strongly involved with this process. Since the end of World War Two, when the Bank was nationalised in 1946, rates have been set by the Chancellor of the Exchequer if and when they felt it was necessary to do so. This is of course a simplification and covers a contested history of what a Chancellor can do both politically and technically. Vogl claims that "when the Bank of England was nationalised in 1946 in order to regulate the traditionally informal relationship between the government and the private sector, key features remained: the informality of the Bank's policy-making, its arcane management, the ad hoc processes of consultation between the Treasury and the Bank and private interests" (Vogl 2017:80). The legislation to nationalise preserved "to the fullest possible extent the continued existence of the Bank and its independence in the general conduct of its affairs" (Kynaston 2017:394). Despite, or perhaps because of, this constantly changing matrix of relations between the Bank and the Treasury, it is not clear where the power to set interest rates truly lay. On the one hand, Thatcher claimed she did not want to relinquish the power to set rates to the Bank, but on the other hand, recent history suggests that it did not lay solely in the hands of the Chancellor.

This obfuscation was continued when the Bank claimed that Nigel Lawson had "ended the fiction that the Bank decided policy; he would be interviewed on the radio immediately after rates had changed to explain why he had changed them" (Bank of England 1993). Yet at the same time, Lawson was pushing for CBI and was implementing the Medium Term Financial Strategy which deflected attention from the Treasury and laid economic decisions at the feet of the market and not politicians. During the 1980s and 1990s under Conservative rule, rates were set by the Chancellor but in conjunction with the Bank of England. Norman Lamont set up regular meetings with the Governor, if only in an advisory role, and lamented the fact that he left monetary policy in the hands of politicians, complaining about Kenneth Clarke who "never really cared much for fighting inflation, overruled Eddie George on interest rates" (Lamont 1999:325). As his successor, Clarke records in his memoirs that "responsibility for the sensitive subject of interest rates left me dangerously politically exposed" (Clarke 2016:322). Clarke supported independence, but John Major had blocked attempts by his Chancellors for independence because he knew that it would play into the Labour Party's hands, due to their poor records of dealing with the economy, and "did not want to remove this fear" (Lamont 1999:325) that they would err in their dealing of the economy without the Bank's help. None of this, it should be noted, suggests concern at an increasing level of debate or "better" decisions, only *who* was making these decisions.

Over the course of the decade between Lawson first suggesting independence and its final arrival, there was an increasingly global acceptance that CBI was the "correct decision" to take to fight inflation. The Bank of New Zealand was one of the first central banks to be given independence in 1989, however, there was not sufficient time for CBI to prove its worth to the Conservative Party (or at least Margaret Thatcher) before she and they were ejected from office. However, as time passed, inflation was seen to be increasingly under control and the concept of independence gained wider appeal and support amongst economists. As one economist wrote, "CBI appears most efficient mostly as a safeguard against the onset of high inflation rather than a remedial device" (Cukierman 1994:1441). The move to independence was then welcomed by economists but the move arguably came as somewhat of a surprise coming as it did under a Labour government that had just won a resounding majority of seats in the House of Commons. This chimes with the view that Labour were hoping that by granting independence to the Bank, it would help to generate support amongst economists and the world of business who were otherwise suspicious of their intent. This sense of legitimacy-building will be discussed further in Chapter Five.

The MPC was initially constructed within the Bank of England as an advisory panel for the Chancellor only, and the Bank was surprised when it was given the power by Gordon Brown to set the rates itself. It is made up of nine members: five core internal staff and four "external" members. The core members are made up of staff from the Bank, including the Governor, and the deputy governors who head the separate departments such as monetary policy and financial stability. The four external members are appointed directly by the Chancellor and come from a selection of economists and academics. A further representative from the Treasury is allowed to sit in on the meetings but does not have a vote. The Bank website describes these roles as such:

> External members are appointed to make sure that the MPC benefits from thinking and expertise from outside of the Bank of England. A representative from HM Treasury also sits with the MPC at its meetings. The Treasury representative can discuss policy issues, but is not allowed to vote. They are there to make sure that the MPC is fully briefed on fiscal policy developments and other aspects of the government's economic policies, and that the Chancellor is kept fully informed about monetary policy.
>
> Each member of the MPC has expertise in the field of economics and monetary policy. Members do not represent individual groups or areas – they are independent.
>
> (Bank of England 2022a)

The Monetary Policy Committee is asked to meet eight times a year, when they will spend three days discussing what level they believe interest rates should be set at. These meetings are pre-planned, so that the markets can be prepared for the information, compared to the ad hoc rate setting that had occurred previously. This also dovetails with the central aim of the MPC - that is, to maintain price stability, and keep inflation at a level chosen by the Chancellor. They have three possible options: to raise it, to lower it or to leave it the same. The MPC has since been given additional tasks, such as deciding levels of QE, however this is still within the central remit of stability.

The four external members are hired on a temporary basis, but are expected to commit, on average, three days a week to the role. There are there to provide expertise to the Bank and help make the final decision, and not, as was repeatedly feared by members of the Bank, to represent groups or areas. They are expected to leave any political allegiance at the doors of Threadneedle street. While they are paid well for this part time role (£151,179 per annum) but there is a question as to whether this should be a permanent role or not. Some questioned if this was enough time to perform the role well, while others argued that a three day week "is an appropriate time to do the job ... and there should be time spent in broader matters to keep abreast of things as a whole through their other activities" (House of Commons Treasury 2006-7). The time spent as an external member of the MPC also includes meeting and greeting members of the business community around the country, and "each member of the MPC accompanies agents on an average of six times a year, and the Bank of England Governor, Mervyn King, also accompanies agents on six of these field visits. Thus, the most senior officials of the bank periodically travel to various sites across the UK to participate actively in the interviews with contacts" (Holmes 2014:161).

Before the MPC meet, there is a "pre-MPC meeting" where "the nine members of the Committee are made aware of all the latest data on the economy and hear explanations of recent trends and analysis of relevant issues. The Committee is also told about business conditions around the UK by the Bank's Agents" (MPC Candidate Brief 2021). At these meetings, staff at the Bank present to the MPC "not simply reviews or updates of standard data series; rather they sought to address (often with ad hoc data) what staff members believed were the key issues relevant to the current interest rate decision as well as the broader and evolving analytical needs of the MPC" (Holmes 2014:184).

The Bank of England website gives us specific details of what happens after this.

> "After that, the committee has three more meetings. The first meeting usually takes place on the Thursday before the public announcement. At this meeting,

committee members look at what has happened since their previous announcement and talk about what that means for inflation and economic growth.

The second meeting usually takes place on the following Monday. At this, the Governor invites each member to give their assessment of recent economic developments, and to say what monetary policy action they think the Bank of England should take. Usually, the Deputy Governor responsible for monetary policy speaks first and the Governor speaks last.

The final meeting usually happens two days later, on the Wednesday. The Governor states what monetary policy action (including the level of Bank Rate) he thinks most committee members will support. Then all the members vote on it. The Governor asks anyone who disagrees with the majority view to state what alternative approach they would support"

(Bank of England e - FAQ 2022) https://www.bankofengland.co.uk/faq/inflation-and-interest-rates

Finally, on the Thursday, the Bank hold a press meeting at which it announces the MPC's decision, and publishes the minutes from the meeting. This states the decision, how it was reached and the split between the members. In December 2022, as the Bank continued to face inflationary pressures, it raised the base rate of inflation to 3.75%, stating that

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 14 December 2022, the MPC voted by a majority of 6-3 to increase Bank Rate by 0.5 percentage points, to 3.5%. Two members preferred to maintain Bank Rate at 3%, and one member preferred to increase Bank Rate by 0.75 percentage points, to 3.75%

(Bank of England Monetary Policy Summary, Dec 2022).

The external members are appointed for three year terms, and will normally serve two of these. The question that could still be raised is what exactly is the point of the external members? They could be acting as the eyes and ears of the Chancellor, but the Chancellor is already represented by a member of the Treasury who is invited to all the MPC meetings (to observe only, with no voting rights). Or are they meant to represent an independent point of view because the Bank cannot be trusted? A review of the appointment process ordered by the House of

Commons saw several people from different fields critiquing the appointment process, from the economist Stephen Nickell to the head of the general secretary of the TUC Brendan Barber.

> Mr Stephen Nickell had described the procedure as “opaque”. Mr Barber expressed frustration at the “extremely opaque” nature of the appointments process. Professor Goodhart commented that “there is no information or attempt to give any specification about what is wanted. How the Chancellor and Treasury go about obtaining names and what the role of the Governor of the Bank is in this is simply unknown”
>
> (House of Commons Treasury 2006-7).

The paper continues, noting one contribution which stated that “Professor Wren-Lewis contended that the present system was open to abuse by the Chancellor of the Exchequer, although he added that “this Chancellor has not done that but we cannot rely on Chancellors never doing that” (ibid). There appears to be a certain opaqueness to the process of appointing the external members of the MPC, which contrasts with the hopes that it would introduce a level of democratic openness to the procedure. If juries can produce relevant decisions despite being picked at random, then why do we demand different criteria for the MPC? And, if we compare the make-up of the MPC from its first iteration in 1997, to the current formation, we can see that things have changed very little over its 25 years.

2 - Members of the First Monetary Policy Committee in 1997

Name	Date Served on MPC	Biography
Edward George	June 1997- July 2003	See table 1, chapter 2
Mervyn King	June 1997 – June 2013	See table 1, chapter 2
David Clementi	Sep. 1997 – Aug 2002	Deputy Governor BoE 1997-2002. 22 years at investment bank Kleinwort Benson, inc. CEO, Chairman Virgin Money 2011-2015
Charles Goodhart	June 1997 – May 2002	Economist at the Bank of England and LSE. It has been commented that during his time at the BoE from 1968-1984 he was “the only economist in the Bank familiar with modern

		monetary theory and policy analysis" (Kohn 768:2017).
Howard Davies	June 1997 – July 1997	Deputy Governor Bank of England, Economist, advisor to Nigel Lawson 1985-1986, Director LSE 2003 – 2011, Chairman NatWest
Ian Plenderleith	June 1997 – May 2001	Executive Member BoE, Deputy Governor South African Reserve Bank (Central Bank of South Africa) 2003-2005, Chairman Morgan Stanley
DeAnne Julius	Sep. 1997 – May 2001	Chief Economist British Airways and Royal Dutch Shell, Non-Executive roles at Lloyds, Serco, BP, and Deloitte amongst others.
Willem Butler	June 1997 – May 2000	Academic, LSE and Bristol, Cambridge. After the MPC – LSE 2005-2011 Goldman Sachs 2005-2010, Citigroup
Sir Alan Budd	Dec. 1997 – May 1999	1979-81 Special Advisor to at the Treasury; 1981-1991 Professor Economics at the London Business School; Provost Queens College, Oxford 1999-2008

3 - Current Members of the MPC

Name	Date Served on MPC	Biography
Andrew Bailey - Governor	March 2020 – March 2028	See table 1, chapter 2
Ben Broadbent – Deputy Governor	July 2014 – June 2024	Economics Advisor at the Treasury 1989-1991 & 1993-1996; Senior European Economist Goldman Sachs – 2000-2011
Sir John Cunliffe – Deputy Governor	Nov 2013 – Oct 2023	A career at the Treasury: 1990 – 2002, 2002-2007 Second Permanent Secretary HM Treasury, Deputy Governor since 2013

Sir David Ramsden – Deputy Governor	Sep 2017 – Sep 2027	2007-2017 Chief Economic Advisor to the Treasury, Graduated from LSE in 1990
Huw Pill – Chief Economist Bank of England	Sep 2021 – Sep 2024	Economist Bank of England, Professor of business administration at Harvard, ECB, and chief economist at Goldman Sachs (and Partner) 2011-2018
Catherine L Mann	Sep 2021 – Sep 2024	PhD Massachusetts Institute Technology, Chief Economist Citibank 2018-2021, Worked on Council of Economic Advisors – a USA agency in the office of the President; also worked at the OECD
Jonathan Haskell	Sep 2018 – Sep 2024	Professor Economics at Imperial Business School; PhD at LSE; Roles at the UK Statistics Authority and the FCA
Silvano Tenreyro	July 2017 – July 2023	Professor Economics at LSE; PhD from Harvard; acted as external member MPC for the Bank of Mauritius
Dr Swati Dhingra	Aug 2022 – Aug 2025	Associated Professor at LSE; elected to the Council of the Royal Economic Society in 2021, and serves on the editorial boards of the Journal of International Economics and the Review of Economic Studies.

If we can give the Bank some leeway when the MPC was first formed, being as it was relatively rushed and needed to find several external members quickly, we find that the members at time of writing, both external and internal do not represent a huge diversity of thought. This is not to comment on their abilities, only to note that there has been little evolution of the hiring practice of the MPC, with a continued dominance of economists who have either been educated at LSE or teach there and have had careers at some of the largest investment banks in the world, such as Citigroup and Goldman Sachs. Dr Dhingra is the first to be selected after Jonathan Haskel was controversially appointed to the MPC, as he was the only man on the five-person shortlist. However, whether appointing another professor from LSE will improve the representation of women at the MPC is, of course, up for debate.

3.7 The Role and Nature of the MPC

Should it matter who attends the MPC? If the appointees are all relatively well versed in economic theory, they will all be given equal voice as it is claimed that "Members spoke in a randomly determined order, so that there was no hierarchy (unlike the Greenspan Fed, where the chairman conventionally began the discussion)" (James 2020:431). This should have helped to dispel Gordon Brown's fears that he had transferred powers to a single individual who would dominate the decision-making process, much like Chancellors of yore. Yet the Bank was not open to widening the range of voices that would be heard. Eddie George feared the external members on the MPC would "be representatives of various 'sectional interests' – code for representatives from industry and the unions who he thought, perhaps unfairly, had no experience of macroeconomics" (Brown 2017:120). Samuel Brittan called this idea "the worst" and that "having various groups be represented – women, manufacturing, industry, the north, the south. That way chaos lies, and I am sure an erratic but on the whole inflationary policy…you need people who are economically literate who do not represent particular constituencies – they are well enough represented in the political side of the process…" (Select Committee on Economic Affairs 2003-4:195). If the MPC was filled with wildly varying opinions on how the economy should be run, it would be hard to reach a decision which everyone agreed with. In an ideal world, a split of opinion would benefit decision-making as it would mean more ideas put on the table, competing with each other. The Governor of the Bank at the time saw this as a benefit - "George actually welcomed the split, which showed that the Committee was working as a genuinely deliberative forum" (James 2017:434). However, most meetings, and the MPC in particular, have a distinct time limit pressure and are forced to make a regular decision regarding the rate of interest – even if it is a decision to leave the rate unchanged. This is in contrast to when the Chancellor would change the rate only when they felt it necessary. The Bank *has* to announce its rate decision at a set time, again unless it wanted to frighten investors and the capital markets. It cannot really allow robust discussion to continue for days, as a decision has to be reached, and such decisions cannot be changed for another three or four months, and so must be born out of a degree of both certainty and consent.

By examining the voting records of the members of the MPC over the last 24 years (available at https://www.bankofengland.co.uk/monetary-policy), we can see how much diversity of opinion there has been. Out of the 271 votes, 203 of them saw either a unanimous vote or only one dissenter, while there were only 14 occasions where there was a 5/4 split between members. If there is a split, this is not necessarily a problem, as the Governor has the final (and thus deciding) vote. If the external members were there to give a heterodox input, then they would at times believe there were superior or at least alternative solutions to how to fight inflation. Or that they would vote in opposition to the Governor more often as they reflected the wider point of view. However, records show that 95% of the time the Governor voted the same way that the decision finally went suggesting that little of what was voted on went wildly against their opinion or understanding. We cannot say if the rest of the MPC voted in the way that they thought they should or if the Governor was not prepared to show an alternative opinion. An issue is that a vote can help to remove the disagreements that occurred during the debate. Much in the same way that winners of the Brexit referendum at times ignore the 48% who voted against it, simply being told that the rates have been decided one way or another tells us little of how this was reached.

The Bank in itself does not appear to promote heterodox thinking, as we can see in Table Two as it continues to hire staff that, despite their diverse backgrounds and identities, have similar training and work experience. This raises the question of how representative the MPC can be of wider public concerns, or if it only acts to funnel the internal thinking of the Bank. Yes, meetings need to be held between people who are able to understand each other and not talk at cross purposes. Additionally, as the remit acts to limit the fundamental role of the Bank, this will always be the MPC's prime concern, and will never feel pressure to widen the debate, but quite the opposite.

However, does the Bank of England itself limit the range of thinking inside the walls of Threadneedle street? Holmes noted when he was at the Bank that "I was also impressed by the number of junior staff sitting in the back rows of the room, carefully observing the proceedings and *assimilating the standards and responsibilities* crucial for the management of a public currency [italics mine]" (Holmes 2014:185). Meetings are not a melee of ideas and concepts but are carefully constructed to produce both a certain style of idea and a certain image. We can see junior staff members at the Bank of England learning a certain behaviour appropriate for these sessions, what ideas can be raised and which not, but also who has the power, who can talk and who cannot. These rules form a membrane that distinguishes the events that occur during the meeting from those that which happens outside. Yet by focusing solely on the meeting, the events occurring around it can be forgotten. Staff may be much happier to gossip or accept their failures outside of the professional setting of the meeting, but not inside it. Schwartzman “notes the importance of gossip for enabling individuals to pass along information and not be held responsible for content, for sending up trial balloons, and for attempting to sanction behaviour while avoiding a public position” (Schwartzman 1989:83). Anything that is not regarding inflation is *forced* outside of the meeting, as the MPC is limited to what it can and cannot discuss both by the formal mechanism of the remit, but also by their shared experiences of those present who have all worked at LSE or the large investment firms.

There appears to be a contradictory desire in how the MPC works in relation to its public appearance. Part of the reason for not wanting to have obvious and contradictory statements emanating from the Bank is that they do not want the market to be spooked. The Bank was in conversation with the Labour party in the run up to the 1997 election, but GOVCO (The Governors Committee at the Bank) had rejected voting as an option, on the grounds that “voting would foster division not cohesion, and the outcomes of voting would be more likely to leak” (Kynaston 2017:716). Yet at the same time, the decision has been moved to a committee, whose raison d'être is to generate conversation and debate. The act of passing independence to The Bank and the MPC was a gamble – to give the impression that there would be genuine debate over interest rates, and that it could not be commandeered by government. Yet the results have shown that this is resolutely not the case. Rachel Lomax commented on the MPC as it approached 10 years of independence. “…the passage of times has given the “Committee” a collective personality”. So changing established patterns of behaviour requires at least as much care and explanation as in the early days of the framework” (Lomax 2007). It *does* matter who attends these meetings, and the MPC has been managed in such a way that only those who are in (broad) agreement with its aims and techniques would be allowed to join. To alter this after five or ten years would mean a fundamental overhaul, and not just putting a couple of “heterodox” economists on the MPC as externals.

The MPC develops an identity that is less of a vigorous debate between radical opponents which perhaps reflects the political ideology of the time. The Labour Party were moving towards economic liberalism with the Third Way, and this brought them closer to the Conservative Party. The MPC was therefore designed to give the *appearance* of debate but at the same time manage the expectations of the markets so as not to frighten off investment. Members of the MPC are, despite the Bank's nebulous status, still working for the government. As such, then the Bank of England should, when appointing its external members, consider the Nolan Principles – "The Seven Principles of Public Life outline the ethical standards those working in the public sector are expected to adhere to" (https://www.gov.uk/government/publications/the-7-principles-of-public-life). Yet at an Economic Affairs Committee Hearing in the House of Lords, Lord Peston stated that the Bank "did not trouble itself with structures such as the Nolan rules" and that "someone picks up the phone and says, "Fancy being a member of the MPC" "Yes" "Okay" (Conaghan 2012:58). David Blanchflower, who served on the MPC between 2006 and 2009, later reported that "Governor Mervyn King controlled the hiring and firing of the forecast team, who did his bidding. They had to produce a result that was consistent with King's views or else they would be history" (Blanchflower 2010). Thus, while the Chancellor of the Exchequer may appoint the external members of the MPC, they are still somewhat beholden to the governor who controls the flow of information to them, much like the technical gatekeeper that was discussed above.

The hiring and firing (or the extension of the time spent on the MPC) seems less based on the urge to find a wide range of voices and experience, which could inform a meaningful debate, but rather a search for individuals who would back up the Bank's decisions. These hires should not challenge the flow of information passed to them which could limit what they could think about and use to influence debate inside the Committee. If meetings are to be productive, and not collapse in ignominy, it may be fair to only invite those that are likely to agree with you. The Governor of the Bank of England does not want to have to continually have to make the same argument regarding inflation, as this is time-consuming and threatens price stability, the exact opposite of its original aim. If we accept all this, then it leads us to the ultimate question: why turn to the meeting format at all?

3.8 Just a minute

The MPC was born out of the move to independence as it was believed that it would improve the decision-making process and increase the Bank's accountability. As where before the Chancellor could and would make often sudden changes to the rate of interest, the MPC not only has to make them at regular times of the year but is required to release the minutes of the meetings in which this final decision is made. While they are released six weeks after the decision making it harder to share their logic, it does make it available to anyone who may wish to examine the thought process behind the MPC's decisions. Earlier it was suggested that minutes will become an "extremely strategic research field", as they describe to us meetings which have been central to human progress. However, two obstacles prevent them from making them truly useful.

First, minutes of any meeting, let alone the MPC, are never a true recording of a meeting. Rather than being an accurate recording, "The note taker is often instructed to soften the tone of things. The 20-minute battle between two department heads about which department should bear the cost of a recent repair will be reported as follows "A brief discussion of appropriate procedures affecting repair charges was held". Not entirely wrong, but entirely useless" (Van Vree 2009:302). Again, we are met with a dichotomy – the *actual* proceedings of a meeting, (which we know are lost) versus the belief that the minutes are productive to some degree. We learnt that the MPC deletes the recordings of their meetings since 2012 when the Financial Times reported that "Meetings of the Bank's rate-setting Monetary Policy Committee are recorded, and notes are taken so that the minutes can be prepared. But the tapes and notes are destroyed as soon as the minutes are finalised a few weeks later." (Jones 2012). The article further states that this practice has existed since independence in 1997. They are still regarded as an important part of monetary policy, but this is not due to their accuracy, but rather as a more technical way of justifying to the MPC's intended audience how the decision was made.

Minutes are *never* meant replicate precisely discussions have gone, and anyone who has been in a meeting will know that multiple points are left off the record, while long conversations are reduced to summaries. These are not designed as a recording of meetings, but more as stepping stones, often for further meetings. And, at least, an attempt to manage the information coming out of the meetings. It is a manner of producing transparency but in a highly managed way. Most of the minutes which the MPC produce are incomprehensible to the layman. The question is: should this be concerning? Certainly, we are not their intended audience, and there are always going to be elements that are too complex for us to grasp, but that does not mean that they should not be included. However, as part of the government-owned central bank, does the MPC have some responsibility to make sure that a wider audience is capable of understanding them?

By turning, for example, to the minutes of the MPC from the 3rd of August 2022, we can find any number of talking points which simply assume technical understanding and a wider knowledge of the details that were discussed. For example, when discussing global economics, they discussed that:

> According to the preliminary flash estimate, euro-area GDP had grown by a higher-than-
> expected rate of 0.7% in 2022 Q2. This could in part have reflected tourism returning to pre-Covid-19 (Covid) levels as restrictions were eased. Since the May Monetary Policy Report, the euro-area unemployment rate had fallen further below pre-Covid levels, reaching 6.6% in June, while vacancies had continued to grow. However, forward-looking indicators, such as the S&P Global PMI composite output index and other business and consumer confidence survey balances had fallen sharply, indicating weaker GDP growth in Q3.

And under a section titled demand and output state that:

> Most business survey indicators had weakened further in July. For example, the S&P Global/CIPS PMI composite output index had fallen from 53.7 in June to 52.1, below its long-run average but remaining consistent with positive GDP growth. Within the aggregate, there had been particular weakness in manufacturing output. The composite future output index had risen slightly in July, however. According to the Bank's Agents, activity had grown at a moderate pace recently, with output constrained by ongoing shortages of labour and goods, and with companies reported to be more optimistic than households about the economic outlook.
>
> (Bank of England 2022 d - Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 3 August 2022)

These minutes are easily available to anyone with an internet connection, but it seems unlikely that the majority of the public will engage with reading these technical documents, especially 6 weeks after the event. Benjamin Bruans' work shows that central banks are generally not interested in improving our understanding of financial issues, but rather focus on stability. There may be a strong belief in Germany amongst its citizens that inflation is a major issue, because while not many of its' citizens remember the hyperinflation of the Weimar era, the Bundesbank was "at pains to make sure that people would not forget, even orchestrating media campaigns 'to reinsert memories of the hyperinflation of the 1920s into Germany's post-war political mythology" (Bruan 2016:1078). The Bank of England has equally been happy to support certain myths about how the economy works while they support their aims of a stable currency. The belief that central banks had complete control over monetary policy and the level of money circulating had been a useful myth for the Bank of England up until it was not. (Despite its attempts to control money under Thatcher and Lawson which had shown 30 years previously that this was impossible, however, there was even less interest in Central Banking then than there is now). Now, in the face of Quantitative Easing, the Bank needs to “admit” that other banks can produce money, as they believe that this will help stabilise the economy after the crisis. But, as Bruan concludes, they are not exactly happy with this as “The young economists explaining credit money appear in front of a very large number of neatly stacked gold ingots” (2016:1085). But as Holmes makes clear, “Sterling is underwritten not by fiat, not reserves of precious metals, but by means of the Banks communicative apparatus that creates narrative fashioned from information/data/intelligence/experience that can orchestrate policy by means of a carefully crafted conversation” (Holmes 2014:190). The Bank shares its knowledge on a need to know basis, which it uses to manipulate the public and the markets. Once they realised that claiming control over the volume of money in the system was no longer beneficial to their aims, they had to educate the public in this new way of understanding the economy, to make sure it continued to be stable.

The fact is that meetings are *not* identical to the society around them but are rather profoundly different, and this is what is important about them. Minutes are not exact recordings of what occurs but are there to tell people outside them what those in the meeting wish them to know. This also means that those in the meeting have the freedom to speak which would not be possible otherwise. Goffman writes, perceptively, that there is a subtle, but important difference between the inside and the outside of a meeting. Firstly, “when an individual plays a part he implicitly requests his observers to take seriously the impression that is fostered before them” (Goffman 1956:10). Furthermore, the entire meeting is a specific “region” that is bounded to some degree by barriers to perception. Regions vary, of course, in the degree to which they are bounded and according to the media of communication in which the barriers to perception occur” (Goffman 1956:66) It feels like meetings have a *membrane around them*, and we may say that the thickness of this membrane varies from one country, state, office or even department to another. Who can talk, who chairs and even who can make jokes may be understood outside of the meeting, but once you have traversed the membrane around it, develop a often subtle but occasional larger differential order. Rather than meetings becoming increasingly egalitarian over time, each one will have its own set of *unwritten* rules about who can speak and even what they are allowed to say which are defined both formally – the remit of the Bank of England and the technical skills which all the economists present are trained in, and more informal restrictions. What members of the MPC can say does have a freedom to it, but this is within particular parameters that are set beyond their control. However, as we saw with the minutes above, they are only understood by those that are inside the membrane, where it all makes perfect sense, and only a relatively small proportion of people outside will have any hope of it making sense.

Conclusion

The MPC was constructed to help generate a better and more democratic process for setting the interest rate that escaped the risks of MPs from abusing their position and benefitting their own constituents over the general population. However, rather than generating a free-wheeling meeting in which all and every element of the British economy is discussed, the MPC is distinctly restricted in its remit and constitution. We find that those appointed to the MPC have over the 25 years a distinct type, and this is because under their remit the Bank of England is not trying to change the economy to a radical degree, but is focused on its remit: to manage inflation. Furthermore, these meetings may have a transparency to them which implies that anyone can hold them to account, but the technical nature of the minutes that are finally released are only really comprehensible to a small percentage of the population which share broadly similar aims and identity to those sitting on the MPC. The MPC is very much defined by the governor and the nature of the Bank's mandate.

As such, we should realise that the MPC and other meetings are not there to question how things are done. Rather they are often subsets of other meetings which have made central decisions, i.e., the ones between Blair, Brown, and Mervyn King when they constructed what an independent Bank of England would look like. Now, this meeting *did* change how the economy is run. However, if all meetings were like this it would be problematic at best, as nothing would ever get done. Decisions have to be made at some point for them to be put into practice. All future meetings are therefore more maintenance of identity than for decision-making purposes and works to help generate this identity amongst the wider polity, releasing information that supports their point of view.

Not every topic is up for debate, nor every disagreement is resolvable. The Bank of England is not *really* independent (even the CERP report admits this) and the

MPC's role is as much to maintain current government policy on monetary policy as it is to make decisions about how the economy runs. It took a meeting format to remove the cult of personality from the interest-setting process (either the Governor or the Chancellor) and to allow the financial industry some representation at the table – in a performative role at least.   The intended role of the MPC was not to produce democratic decision-making and accountability but rather to divert attention away from economic decision-making in government and to try and reinforce the market's trust in this process. To hope that this would produce greater transparency in the Bank of England was maybe implausible, as it has simply slotted into their generative machine as one tool to help maintain stability. Meetings, where actual decisions are made, are unlikely to have their minutes published.

Chapter Four: Technocracy, Democracy, and the Bank of England

In the previous two chapters, I have discussed some of the central actors who can be found in the Bank of England. The role of the governor is a historical one that has seen its nature evolve over time, while the MPC is comparatively new but immediately granted one of the key tools of economic management – the ability to set the interest rate. The rate, which is defined on the Bank of England website as that which "determines the interest rate we pay to commercial banks that hold money with us. It influences the rates those banks charge people to borrow money or pay on their savings" and is one of the key weapons in the fight against inflation.

This decision lay, historically, with the Chancellor of the Exchequer, though often made in discussion with (and occasionally in opposition to) the Governor and the Bank. The move toward independence was justified on the basis that the experts at the Bank both had superior technical ability, and a clearer vision of economic necessities unclouded by politics. Tony Blair makes this point clear when comparing the Governor of the Bank of England with his own Chancellor: "[The Governor] might or might not be of superior intelligence. But the decision-making process at the bank was definitely of superior objectivity" (Blair 2011:113). With this statement, Blair suggests that technocrats' decision-making skills are *superior* to those of MPs who are always going to refer to the demands of politics and even their personal preferences.

A different understanding of the value of experts is advanced by Nichols, who, writing in their defence argues that "in any given subject, by their nature, a minority whose views are more likely to be 'authoritative' – that is, correct or accurate – than anyone else's" (2017:30). In other words, as the polity becomes increasingly complex, the need for experts becomes greater. Thus, it is easy to concur with Riles, who writes that "There is surprisingly little involvement and attention from the public compared to issues such as health care and free trade…It is easy for most of us to imagine that we have nothing to contribute to the debate about what central banks should do" (2018:73). As the matters that experts deal with become increasingly complex, the hope that the public will be able to follow what they are doing, and hold them accountable becomes increasingly difficult and we should just accept that most of us cannot understand their actions, even when their reasoning is made available to us, e.g., that the minutes of the MPC *are* eventually released for public consumption.

What is the effect of this upon the polity? By firewalling central bankers at the Bank of England and by focusing their attention on the single remit, to keep inflation at 2%, does this work to discolour the discourse in just the same way as the MP who is aware of a number of issues that must be considered simultaneously? We have seen central bankers become increasingly public figures as they attend events at the WEF, but this only sees them in contact with *other central bankers* and not members of the general public, thus never finding their core beliefs questioned, let alone challenged. Furthermore, if there are some problems now that are what Esmark calls “increasingly wicked - as opposed to simple or tame, which is to say malignant, tricky, aggressive and caught in vicious circles” (Esmark 2020:155), then how well is an expert placed to make a decision. Chapters one and two suggested that neither the Governor of the Bank nor the Bank of England are as objective as Tony Blair may have hoped. If this is so, then why do we continue to allow technocrats to make vital decisions without democratic oversight?

4.1 The Paradox of the Expert

Britain has not, as yet, seen a wholesale transfer of power to technocrats. The British Government is still an elected body, and often MPs’ skills do not directly relate to the department they work in yet are still able to run them successfully. The Bank of England’s remit does however represent one of the biggest transfers of power to unelected technocrats. Despite Number 10 harbouring a long held suspicion of the Bank of England, operational independence was granted in 1997, in the belief that “for industrial economies, CBI offers a free lunch. It brings lower inflation without interfering with the process of growth” (Cukierman 1994:1438). While government has long been in conversation with the Bank regarding the base rate and other matters, the move to independence alleges that the Bank is more capable of providing a stable economic environment than politicians who are forced, for a variety of reasons, to sacrifice technically correct decision-making on the altar of party interests.

Labour’s view of the Bank certainly appeared to satisfy Esmark’s criterion of technocracy, which centres on “the creation of institutions designed for political decision-making based on technical and scientific expertise…and meritocratic appointment of experts to these and other political institutions” (Esmark 2020:4). So, when the decision to grant independence was made, it met with little resistance outside the furthest fringes of the party, the majority believing that it would end the destabilising relationship between the Bank and government, and provide an economy which would benefit everyone in society. This was in stark contrast with the previous conservative government which had seen both Thatcher and Major reject such a move. Thatcher believed that she was "always more sensitive to the *political implications* of interest rate rises" (Thatcher 1993:699) while Major felt that the person responsible for monetary policy should be answerable for it in the House of Commons (Major 2000:153). These political fears have been ignored, in the hope that the Bank of England will be able to deliver technically superior decisions that are not distorted by political allegiance. As such, any decision made by the MPC should, eventually, make sense to all of us and not be compromised by sectarianism.

To claim that experts know better and therefore should be left to make all the decisions is a claim that is both oversimplified and currently under much more scrutiny than it was when the Bank was made independent. In 2017 cabinet minister Michael Gove stated that "people have had enough of experts from organisations with acronyms that have got things so wrong in the past" (Farrar 2017). Gove seems to be suggesting that the accumulated weight of knowledge that experts have accumulated over time, which has not always been accurate or useful, acts not beneficially, but as a weight tying us down. A quote from Karl Mannheim usefully summarises this point: "The intellectual value of all political and historical knowledge *qua* knowledge, disappears in the face of this purely intuitional approach which appreciates only its ideological and mythological aspect" (Mannheim 2015:122). A good example of this was when the Bank ran models for how successful Brexit would be – ranging from the best to the worse possibilities. Some pro-Brexit politicians angrily rejected the idea that it could possibly go badly, which shows us the contrast between the value of knowledge and the desire to act not always necessarily meeting in the middle. Those who wanted Brexit did not want to hear that it could not succeed – even viewing the airing of such views as being undemocratic and a drag on the political will. Both Michael Gove and Jacob Rees-Mogg (who branded the Governor at the time Mark Carney an enemy of Brexit) felt that *any* claim that it might be a failure – even from experts – was simply posturing and a lack of faith in Britain, and did not represent "knowledge".

Mannheim was influenced by Weber and was “no doubt drawing on his experience of post-war Budapest and Weimer Germany” (Hammersley 2022:180), as when writing Ideology and Utopia, “he believed that within a democracy competing intellectual ideologies could never achieve unity as there was no external judge to confirm which was “true” and that they rarely realised that themselves were subjective” (Hammersley 2022:180). The expert represents a somewhat paradoxical figure. On the one hand, experts play a vital role in society, using the knowledge that they have accumulated to offer solutions to problems that most of us are not even aware of, let alone capable of resolving. Yet, on the other hand, this knowledge is accused of frustrating the political will and limiting what is possible. We turn to them to help us, but we do not necessarily trust their answers.

Stephen Turner has written extensively on the role of the expert and suggests that “specialized technical discourse - not only science but other kinds of expert knowledge – presents a fundamental *political* problem for liberal democracy” (Turner 2003:5). Democracy is predicated on the idea that we can reach consensus by debating ideas, which gives equal weight to accumulated knowledge and experience to the concerned citizen or amateur. But this has produced a discourse around global warming which has demanded “debates” between the majority of scientists who agree that it is real, and climate change deniers, such as Nigel Lawson, who do not have any particularly applicable skill set in such topics. There is nothing to say that Lawson is not allowed his own opinion on climate change, but should it be given the same weight as a climate scientist who had studied and understood the data? “This was” Turner writes “a quintessentially liberal solution to the problem of expertise: all the arguments would be explored. Experts and other stakeholders could be prevented from presenting a consensus as a fait accompli for the representatives of the people to accept and ratify…the public…should not accept the advice of experts until at least they could see their advice attacked by other experts” (Turner 2003:15). I have often repeated the claim that central bank independence is a “free lunch”, as it reflects an opinion that it is a done deal, that there are no problems with it, *that everyone will agree.* Here, climate change and inflation differ – most people accept that inflation is a problem and that it should be kept within reasonable boundaries. So, while climate scientists are having to argue that there is a problem to address, economists have a common goal and have also reached a shared solution – that of CBI. However, what does the fact that everyone shares the same assumptions and reach the same conclusion tell us about CBI and the effect it has on the polity?

We stand, then, at a crossroads on the opinion of the role and place of the expert. On the one hand, the only way we can manage knowledge and benefit from it is to package it up into “the expert”. They have a far better and more informed understanding of a given situation and are able to process past experience and utilise it to inform us how to best achieve our shared goals. Alternatively, they are a community that is beholden to and weighed down by past facts that, rather than enabling action, work to prevent it. Even if this were not true, the information they do hold is untranslatable to those who do not share the same assumptions and have different demands and understandings to the politicians that call upon them. By imposing a strict remit upon the Bank of England, government has turned to experts to try and resolve a very specific problem of modern economics. Yet by turning to one group, and asking them to resolve one issue, have we lost out on experts who can place these issues in the wider context?

There are some who still defend the expert and lay the blame at the feet of the general public. “Not only” Nichols laments “do increasing number of people lack basic knowledge, they reject fundamental rules of evidence and refuse to learn how to make a logical argument. In doing so, they risk throwing away centuries of accumulated knowledge and undermining the practices and habits that allow us to develop new knowledge” (Nichols 2017:3). This act, he continues, “is fundamentally a rejection of science and a dispassionate rationalisation, which are the foundations of modern civilization” (Nichols 2017:5). We should accept what the experts tell us as not only is it correct, but it is available to us if we chose to study it. Other authors make a similar point, that experts are only distant because we have allowed it to happen. Riles argues that “to exercise our financial citizenship rights for the greater common good, we need to pay attention to and care about the details of financial policymaking…Lobbyists and politicians are banking on the fact that ordinary people will find all this far too boring to pay attention to” (Riles 2018:74). It is not experts who are letting us down, it’s the opposite – the public is failing to understand or engage in their work and even turning to conspiracies and pseudo-science rather than mainstream knowledge. If expert knowledge is claiming to be increasingly objective (more than 90% of scientists agree on global warming), it is worth noting that social scientists claim that “There is little doubt that people’s personal ideology—also often referred to as worldview or cultural cognition—is a major predictor of the rejection of climate science” (Lewandowsky, Oberauer and Gignac 2013:623). This may be true, but why doesn’t this also incorporate the technocrat as well, who will equally have their own personal ideology?

The aim of the technocrat is to offer means that will provide definite routes to the shared ends of society, those technologies that everyone can agree will be beneficial to all. Jeffrey Friedman notes that while some issues are divisive, some "*do* tend to be easy, producing an overwhelming consensus around such objectives as low inflation and low unemployment (which political scientists used to call "the motherhood and apple pie of politics") (Friedman 2019:22). In the face of shared ends, then the public should be happy to accept the rationality of any means used to achieve this. Short term cost and pain will be born with the knowledge that it was worth it in the long run. The very concept of experts would make no sense if it was not possible for them to justify their arguments to the wider public. If the expert was working from a completely different point of view, then Turner writes "to accept the conclusion of experts, it appears, would be through some act of incorporation of this foreign idea, an act which could not be justified in terms of my 'own' framework" (Turner 2003:50). He continues "For there to be a phenomenon of expertise at all, as opposed to merely mutually exclusive linguistic communities, some translation has to be possible" (ibid). It is hard to produce a clear image of the technocrat. In order to exist, experts must be able to translate their theories into day-to-day language that all can understand, yet if this was comprehensible to anyone then the expert is no different and therefore would not deserve listening to. They must be translatable, but they necessarily move into circles of people they know will support them ideologically and not have to limit their language, but this also prevents their ideologies from facing external questioning.

4.2 The Unknowability of the Future

This relationship between 'men' and knowledge makes it that much harder for experts to predict how the future will pan out. Mervyn King suggested that "The future is simply unknowable. And in a capitalist economy, money, banking, and financial markets are institutions that have evolved to provide a way of coping with an unpredictable future" (King 2016:155). By offering us systems of investing for the future, the financial systems help to protect us against a future that we cannot know. However, the sociologist Ulrich Beck takes a critical stance against this position, arguing that "The reflexive appropriation of information tends to increase the instability of financial markets – they can develop in unexpected directions, become chaotic, be used by free riders and lead to herd behaviour" (Beck 2009:121). The risks that the public face are not natural disasters anymore but consequences of a rationality that had already tried to mitigate risk. In his introduction to World at Risk, he writes that "A new dimension of risk emerges because the conditions for calculating and institutionally processing it break down in part". Beck continues "Paradoxically…the more science and technology permeate and transform life on a global scale, the less this expert technology is taken as a given" (Beck 2009:6). Living in the modern world means for Beck to be living with *ineradicable non-knowing*, which are generated by our own technologies which were often built to manage previous un-knowns.

There is an instructive quote from Carl Miller, a journalist and researcher at the think tank Demos, whose analysis of power in the digital age included an investigation into the role of algorithms which are at the heart of a lot of modern management of our lives – but are something that *even their creators do not fully understand*.

> Algorithms have changed, from Really Simple to Ridiculously Complicated. They are capable of accomplishing tasks and tackling problems that they've never been able to do before. They are able, really, to handle an unfathomably complex world better than a human can. But exactly because they can, the way they work has become unfathomable too. Inputs loop from one algorithm to the next; data presses through more instructions, more code. The complexity, dynamism, the sheer not-understandability of the algorithm means that there is a middle part – between input and output – where it is possible that no one knows exactly what they're doing. The algorithm learns whatever it learns. 'The reality is, professionally, I only look under the hood when it goes wrong. And it can be physically impossible to understand what has actually happened.
>
> (Miller 2018:275)

The more that we generate tools to manage and understand the world, the less control and understanding we have of them. Equally, a number of financial tools which King believed helped to manage our expectations of the future were blamed for the financial crisis of 2008. Their content became *unknown,* and banks, therefore, refused to buy and sell them.

Beck may be over exaggerating risks, as Gane asks if Beck is correct when he says that "Weber's work describes a 'triumphal procession of rationalisation', and is Weber's theory of rationalisation based upon a 'rational restriction' of threats and uncertainties that emerges as a consequence or side-effect of modernisation?" (Gane 2012:118). Although Beck is criticising Weber here, it is concerning a wider vision: that of rational thinking and the inability of science and rationality to think outside of the boxes that they paint themselves into. The issue here is less whether or not central bankers are capable of resolving the issues given to them, but the assumption that they are somehow more rational than anyone else when it comes to making decisions about the economy. And, as their decisions generate issues *outside of their sphere of influence,* are they able to resolve these issues? What were the costs of trying to keep inflation at 2%, and who was left to deal with them, as they would not fall within the Bank's remit?

We are suggesting here that central bankers should be held accountable for the decisions that they made over the last quarter of a century, but it is fair to do so? A strong focus has been not the sovereignty of parliament and actors in the market, but rather the subordination of every decision to the logic *of the market*. This should lead any decision-making process, leaving little space for autonomy. As such, "[I]t is the market alone that effectively winnows and validates the truth from a glut of information. The hapless agent may or may not have ambitious epistemic pretensions…but the wise market participant always defers to the pronouncements of the market" (Mirowski and Nik-Khah 2017:7). The focus is now on the masses amount of information that the Bank has available to it, but not really in charge of. Agents are often found holding vital pieces of information *without even knowing it*, as it is only the market that can make any sense of it. This is not only a return to the invisible hand of the market that Smith theorised but an active removal of agency from human actors. They claim that we can never fully understand the position that we are in, and are here only to funnel and produce information that the market can sort. How are we able to hold the system accountable when we are all cogs within the machine? "What happened to the Kantian subject, able to reason for herself, autonomous, and hence an end in herself?" (Mirowski and Nik-Khah 2017:239). No individual(s) are capable of knowledge under this system, only the market.

And yet, there is still a necessity for the buck to stop somewhere. Markets are not autonomous or accidental events but require *economists* to produce and manage. (This of course is not an original claim – Foucault was making this point in the early 1980s during his annual lecture series in The Birth of Biopolitics). This requires expertise, an understanding of a situation, and a belief in what can be done to resolve the issues that we are facing, built on both technical learnt knowledge and accumulated experience. Neoliberals will tell you that the solution to almost any given situation is to insert a market in it, but this position undermines the neoliberal expert who puts it forward! To put it bluntly, "the market designing economist alone is granted the god's eye knowledge to understand and shape the operation of the market otherwise the designer has no role to play." (Mirowski and Nik-Khah 2017:240). They want us to accept a system that reduces our ability to know, but requires someone else who *does* know to design and run it. It is not surprising that there is a loss of faith and trust in experts when they say nothing about the layman's lived experience – despite having millions of points of information about each and every one of us. As Davies points out "the majority of us are entirely oblivious to what all this data is saying about us, either individually or collectively" (Davies 2020:67). In this picture, markets are constructed by experts to generate specific information about the population but not for the population. There is no space for the well-informed citizen to readjust their settings to understand any given situation. Instead, they are assumed to be incapable of ever *really* understanding the situation, as it is too vast and complicated. They must instead leave it to the market to manage it for them, removing any sense of autonomy.

Viewing the markets as such demands expert knowledge to construct it, but then they stand outside of it and leaves no role for them internally. Although I will discuss the legitimacy of the Bank in greater detail in chapter five, it is interesting to note that by sublimating themselves to the market, economists have helped to erode their own legitimacy. We are expected to trust them as individuals, but they are advising us that they are the only ones who are capable of understanding the markets. As Colin Crouch points out, trust "it is not an assumption that lies at the heart of neoliberal economic and rational choice theories, which consider that individuals should do all they can to maximise their interests, uninhibited by moral concerns that might lead them to deprive shareholders of maximum profits" (Crouch 2016:49) We need a level of trust in society in order to work with other people. If everyone is out for themselves, then why would we believe anyone when they said they were working for us, and not ultimately in their own interests? Turner points out that this undermines the fundamental tenet in principal-agent relations. We rely on someone else to act on our behalf – a lawyer, or a stockbroker for example – and have to trust that they will act in our interests as we are unable to judge ourselves if their advice is correct or not. "Not only is the client suffering from a deficiency in information or inability to make judgements, but the lawyer is a person with interests as well which the lawyer can advance, potentially, by cheating the client" (Turner 2014:184). Unless legitimacy can be generated externally to these relations, then they are intrinsically shaky.

The future is unknowable, but this is in part because of the actions of economists and political actors who are genuflecting to the power of the markets, but which works to undermine our understanding of the future, rather than King's hopeful claims that it helps us to manage future risk. This is not, as Beck suggests, due to the increasing turn to rationalism, but rather an abandonment of it. We are increasing expected to trust individuals and algorithms, and especially the market, without any expectation of justification.

4.3 The Limiting Factor of Ideas

The following anecdote is instructive. In an unpublished draft of his memoirs, a politician wrote that he had been “misled by the Governor of the Bank of England [and] by the experts of the Treasury…I had no special comprehension of the currency and therefore fell into the hands of experts, as I never did where military matters were concerned” (Ahamed 2009:239). This was not, however, an exchange between Ken and Eddie whose relationship was blamed for some amount of instability in the markets, or Margaret Thatcher and staff at the Bank whom she lay a number of failings regarding contempary economic events. Rather, this was Winston Churchill’s response to his belief that he had been misled (predominantly by Montagu Norman, the Governor from 1920-1944) into putting Britain back onto the gold standard in 1925. In his history of the great depression in the 1920s, Ahamad lays the blame centrally at the feet of the central bankers and draws further parallels to the present. The meeting where it was decided to return to gold was “though dressed as a technical discussion amongst experts, reflected, at bottom, a philosophical divide between those who *believed* that governments could be trusted with discretionary power to manage the economy and those that insisted the government was fallible and therefore had to be circumscribed with strict rules” (Ahamad 2009:235). Arguments and meetings are couched in rationalistic language yet *cannot help but* reflect underlying irrational beliefs. If we briefly turn to Fleck, we can find that his work on the sociology of knowledge can offer us an informative quote, as he stated that “it would be wrong to think that experiments, no matter how clearly conceived, always produced the “correct” results. Although important as starting points for new methods, these were worthless as evidence” (Fleck 1979:7)

Another example shows how economists can be attached to an idea that continues to drive their actions, that is only lightly in touch with empirical evidence. The Phillips Curve has been at the heart of the drive to pass central banks’ independence. The belief that a rise in employment (or a fall in unemployment) would lead to higher wages and therefore inflation has informed economic policy and central banking for two decades now, and Goodhart writes “the concept of the vertical Phillips Curve [see diagram] is logically powerful and it dominates the mind-set of most economists and economically-literate comment” (Goodhart 2002:208).

Figure 1 - The Philips Curve

This is not to deny the value of working together using a shared assumption. But when the expert looks inward, only talking to others of the same epistemic community who all share the same assumptions it can limit their possibility of thought, and to the wide world of possibilities. Goodhart writes "its [the Philips curve] empirical basis is weak to say the least, and there remain minority groups among economists who do not accept it, especially amongst some post-Keynesians" (2002:208). The shared assumption between economists regarding the Philips curve which has driven CBI is shaky, yet Goodhart asks "If the vertical Phillips Curve was to be dropped (for what?)" (Goodhart 2002:208). The hegemonic assumptions of central banks *cannot even consider* an alternative to the Phillips Curve, nor how we could run society on a different basis.

A former member of the MPC even commented on this phenomenon after leaving the Bank. Kate Barker stated that she believed that its "unrelenting emphasis on medium-term inflation, central to its remit 'encouraged too much focus on exactly hitting the target at exactly the two year horizon and I think that distracted us perhaps from wider strategic issues" (Kynaston 2017:732). Of course, this could be considered the fault of the politician, as the remit of the Bank of England is, specifically, to manage inflation. The experts have been given a specific task, and their role is to try and make it so. Indeed, former Deputy Governor of the Bank of England Paul Tucker is emphatic that the relationship between government and agency should be limited to highly specific roles. "The legislature chooses the high level goals, not the agency heads who, as unelected technocrats, are not free to impose their sense of the public interest. The zone left for discretion is subordinate to those given goals" (Tucker 2018:111). Is it fair to point the finger at the Bank of England, accusing them of being shadowy cabals of inward looking bankers, when the Labour government turned to them to help try and manage one of the knottier problems facing us in recent years – managing inflation?

Ideas like the Philips Curve have dominated economic thought, limiting economists and even politicians' ability to think above and beyond these solutions, and can continue to be enacted *even after they have been disproven.* MPs may not want to be limited by the expert in their actions, but we also find that they use expert opinion to back up actions they *do* want to perform. In his book Austerity, Mark Blythe concluded the following: "This book has examined the case for austerity as both a sensible economic policy and as a coherent set of economic ideas, and it has found austerity to be lacking in both respects. *Austerity doesn't work. Period.* (Blyth 2013:229) [my italics]. Yet it continues to exist and be held as a valid economic and political option. Perhaps it is because Blythe is not an economist, and is therefore unheard when discussing economic matters. The attachment to a single policy, which goes unchallenged can have negative effects on the population. Goodhart (who was an economic advisor at the Bank of England for 15 years) commented that interest rates and inflation have *always* had a distributional effect between creditors and debtors. When inflation is low (and this is the target of the Bank of England), creditors are better off while debtors find it easier to pay their debts off when inflation is high. It was assumed "that there would be swings and roundabouts, but that inflation, and both nominal and real interest rates, would fluctuate around a norm; so, temporary benefits to one side, or the other, would in the longer run wash out. This has not happened over the last three decades" (Goodhart & Lastra 2017:5). Thus, creditors have been given a constant benefit over this period as debtors have been given little relief on the repayment of their debts, who as inflation rose would be paying off debts of a fixed value as prices increased.

The debate over inflation may be more complicated than that of austerity (which fundamentally fails even on its own terms). However, the aim of institutions is to have these conversations about what is good for all of society, not simply act to reinforce the common ideology of the government. This is not to say that they should undermine democratic choices, but rather that they should help to form alternative points of view. However, as we see in the following section, this has been shown to not always be the way.

4.4 An Increasingly Large Chasm

The problems arise as groups of experts can find themselves captured within their own epistemic communities. Despite the claims that they simply building models and using empirical knowledge that is available to us all, Fleck argues that "special features of deep psychological and traditional significance greatly contributed to it" (Fleck 1979:3). The building of these models cannot help but to reflect the local and the personal, as Fleck continues, "Theoretical and practical elements, the a priori and the purely empirical, mingled with one another according to the rules not of logic, but psychology" (Fleck 1979:5). This is reinforced by Turner, who comments that "Thus they appear (and depict themselves ideologically) as representatives, but are in fact usurpers in the public sphere. And they do this in the name of reason. So the problem is not only a matter of the substantive falsity of the claim to represent. It also a matter of the falsity of the claim to represent *public reason"* (Turner 2003:99). When closely examined, epistemic communities reveal the uses of tradition, community, and history as much as any other group. It becomes harder to think beyond the existing forms of thinking inside these groups as common knowledge is reinforced as the correct form of thinking. When forming the MPC, Gordon Brown wrote that he planned to appoint the external members from "the broadest possible group of members, including to the dismay of many, two non-British citizens" (Brown 2017:120). Eddie George feared that this would mean sectional interests and non-economists would be represented at the MPC, but his fears were unfounded. Instead, it has been broadly filled with members of the same epistemic community, as shown in chapter three which discussed the makeup of the MPC.

This reflects the fundamental tensions that stands in the relationship between the expert and the layperson. The technical difficulties are, in our example the actions of a central bank, both highly specific and complicated. Without years of training and experience, most of us would be unable to perform a useful role at the Bank of England. As such, it is hard to hold the Bank of England accountable as we do not understand really what they are doing or how, and are therefore required to *trust* that they are acting in our interests. But, as I have suggested, this trust has been eroded and it is possible that they are acting out of their own personal biases and interests, as all actors do. This is not a criticism aimed at bankers in particular, but a call to re-align our relationship with the Bank of England, and not presume that they are always acting with pure rationality.

The role of the expert has a long history, and techniques and mechanisms have been developed to ensure that we trust expert opinion. The role of the expert is defined as someone who has accumulated knowledge regarding a topic or situation and if someone who doesn't meet this criterion tries to pontificate on a subject lacks has not been through this process, then they lack the differentiation that would justify their voice being heard. It is not true that the truth will cut through the mire, regardless of its source, but rather it can only come from a carefully curated identity: the expert. This leads Turner to discuss "the mystery of why, if merit is so transparent, there are so many and such expensive mechanisms for assuring it" (Turner 2014:186). Over history, we have seen ideas rejected by the mainstream because they did not match the current popular thinking. The experts that we chose to believe and trust in are those that are backed by their communities, that journals, universities, and other institutions have risked their reputations on to say yes, "this expert speaks the truth". "The cognitive respect we give science is not purchased by science directly, but is maintained through activities that do have costs" (Turner 2014:185). Thus, to realise that the role of experts is manufactured, and not naturally occurring, means to understand that to raise certain people to the status of expert is to relegate others.

The heterodox economist, for example, will necessarily find it hard to challenge mainstream ideas *because of the very nature of expertise.* If they do not have the appropriate degrees (or PhD in fact) from the appropriate university then their voice is simply not given time in mainstream forums – they will not be teachers, or allowed on media platforms; that is unless they are specifically marked out as heterodox thinkers. Any economist who promotes social democratic solutions appear as the "left wing" commentator, while the orthodox economists will simply appear to represent "reason". This is not intrinsically a problem, if we accept that we have to structure knowledge in some manner or another. However, again there is the problem of reification. If we ignore the political aspects of the expert and don't appreciate that there are value judgements behind who receives funding or competition between experts, then our understanding of the topic will be wildly skewed and our trust in them will be excessive. A learnt pragmatism towards who we trust and why should perhaps be practiced, maybe this is what a well-informed citizen looks like?

This leads us to a further issue: how the public do evaluate experts? How does one pick between those that have been appointed experts, versus the populist who wishes to divert institutions such as the Bank of England towards different ends? The irony is that the small amount of information that we do have about the performance of central bankers, comes from the central bankers themselves. The common thinking amongst economists was that CBI was the best route towards managing inflation – and thus Andy Haldane, who was chief economist at the Bank of England, told us in a speech that "The fraction of them with operational independence for the setting of policy had risen to 80-90%. Central banks and their independence had become an international norm in the space of a century" (Haldane 2020:2). Freeman finds, when editing a special edition of International Organisation, that, "To the believers in an optimum regime, this is evidence of enlightened convergence on central bank independence" (Freeman 2002:891). How can politicians or public opinion form alternative points of view when the main discourse is managed by those who benefit from it? As I suggested when discussing the role of the MPC.it manages and releases information based on the impression that they want the public to have. The public is incapable of generating its own opinion on these matters and is led by experts and the media which will only tell a particular tale.

As I showed in chapter three, the MPC minutes reflect meetings that are incomprehensible to anyone that is not inside a small circle, being as they are suitable reading only for those *already well versed in economic matters*. They are not a source of information regarding the economy, but rather presume that the reader has shared values and knowledge, and will therefore reach the same conclusions that the MPC reached in their deliberations. In chapter three I discussed how meetings can be used to generate certain arguments and beliefs about how the economy works – the Bank of England manufactured a certain point of view regarding the production of money until it was helpful for them to change it. Public opinion really is quite at the mercy at times of this manufacturing of consent, reliant as we are on institutions like the Bank for our understanding of complex matters. The ability of heterodox thinkers to challenge the dominant view is thus extremely limited, as they are fundamentally discredited by their failure to have been funnelled through traditional channels.

4.5 The Role of Expertise in the Face of Complexity

This chapter has so far painted a distinctly bleak picture of experts and the role that they play in society. I have suggested so far that the very nature of experts requires them to distance themselves from the general public. This is in part to attain the specific knowledge that they are working on, but also so that they can be held up *as experts*. However knowledgeable you may claim to be, without the legitimating process of an institution to grant you the role of expert, then it is unattainable. However, this also leads to specific thinking based on what experts claim is the universal experience, but is actually built on their own particular lives. While this is still accessible by rationality, it is harder for others to understand, and it is certainly impossible to universalize. Increasingly, there is erosion in the trust of economists and experts to "do the right thing" but in the act of building markets the expert has been pushed into the background which has made it hard for them to generate a new sense of legitimacy. We are forced to trust that the Bank of England has our best interests at heart, but they are increasingly unable to articulate reasons why we should. Mirowski and Nik-Khah suggest that the disdain for non-experts is vital for conceptualising economists at the moment, and as such they ask, "Will the contempt of the economist be met with a different sort of disdain by the public?" (Mirowski and Nik-Khah 2017:35). Has the relationship between the Bank of England and the public irrevocably broken down?

The work of sociology and law professor Danilo Zolo is useful to turn to here, as he suggests that the "growing contingency of the human condition and the instability of even the anthropological characteristics of our species" (Zolo 1992:63) means that we are unable to act in a collective manner that would reflect a Rousseauean state of democracy. The plausibility of small local groups ability to deal with the issues that we face today is increasingly disappearing, "for no other reason than the planetary scale which factors of risk have now assumed in such areas as, for example, ecological disequilibrium, nuclear disasters, demographic pressure, problems of food supply, the disposal of waste, the interconnection of financial systems, terrorism and the world-wide circulation of drugs" (Zolo 1992:64). Central banks are institutions which help to prop up the financial industry, and have taken dramatic action to ensure that this is so. These actions were beyond the purview of the individual layman who, at the time, was unable to comprehend the nature or the scale of the 2007-2008 financial crisis, and had no tools available to them to resolve it.

The growth of complexity has given birth to two, contradictory, understandings of the human self. On the one hand, it has helped us to develop the individual identity, which has emerged without a monolithic monarch or god who saw us as all the same under one ruler. This leadership had, in its reduction of complexity, worked to generate security. By reducing our number of options, we faced limited uncertainty and risk, therefore greater security. The increased sense of self was generated and understood as distinct from the sovereign power, but via increased levels of complexity. We demanded more autonomy and individuality as opposed to a singular mass in opposition to the sovereign. Yet as we generate increased complexity, we find ourselves unable to manage the problems that this generates. The hope of democracy was that each individual would be able to make the decisions that ruled over them, and not be in the hands of others. The hope was, that "Thus the pool of each citizen's original complexity remains intact in his hands, and, each political reduction of this complexity neither is, nor is seen as, 'heteronomous' coercion imposed from outside, but as the result of a perfectly 'autonomous' choice, a realisation – not a restriction – of liberty" (Zolo 1992:62). Any tendency towards a reduction in complexity out of the hands of the individual is seen as undemocratic. One question that this raises, which I will return to in chapter seven, is whether this has helped to grow the populist movement, which tries to reduce complexity by generating imagined communities that share an identity, and is reversing the democrat trend of the last few hundred years and trying to "return" this lost power to the people. All institutions are treated suspiciously in the belief that they are acting to deny political action.

On the other hand, we find ourselves trying to manage increasingly intractable global issues as individuals (a tendency that has been accelerated by neoliberal politics), which we cannot resolve by ourselves. As we face this demand for specific knowledge, we see the necessary development of experts who accrue experience and are able to communicate with other situated epistemic communities who share similar knowledge and can co-ordinate attempts at solving these global issues. Yes, central bankers find it easier to talk to each other than the public regarding global financing, but this is a condition of our increased autonomy and individual complexity.   We cannot have one without the other, and if we were to reduce the role of the expert, to denude them of their difference would remove the possibility of complexity. The definition of democracy which Zolo demarks as being reflective of the logical conclusion to Rousseau's thinking, contains this central antinomy which "our present-day theories of democracy seem wholly unable to perceive and consequently cannot even begin to resolve" (Zolo 1192:62). The movement towards increasing complexity and democracy carries with it a parallel creation and demand of expert knowledge which threatens the normative values of democracy.

While we may accept the necessity of experts in the management of our economy, if we realise that some issues are *so complex* that there is no "correct" answer, and that solutions will at times benefit some people more than others. Experts have to make decisions and we should not judge them purely on the results of their actions – unintended consequences mean the best laid plans can go awry. "Some people will lose out – through bad decisions, through bad luck, through failure of others to do their duty within their institutional roles (including those whose job it is to secure compensation for those who have failed through the failure of others, etc.)" (Dowding 2009:30). We need to ensure that they are managed and never slip into epistemological ruts. The argument for keeping inflation low has been universally adopted, but as Zolo points out, Society faces "a specific configuration of social relations in modern post-industrial societies *as it is perceived by the agents themselves*" (Zolo 1992:4) [my italics]. If our experts become too distant from the community as a whole, they will base their solutions on the issues as they understand them, and not as generated by the demands of the people. Experts "are like sailors who are prevented by storm from returning to port and so are forced to repair the disintegrating ship in mid-ocean, supporting themselves, while they carry out the repair, on the very structures threatened with collapse by the waves" (Zolo 1994:6-7). They will generate solutions that are demanded, but there is a feedback loop as well, and if the experts are stuck on a boat at sea, then so is public opinion which has no option but to accept the word of the expert that these are the issues that we face.

Conclusion

In this chapter, I have examined the issues that have arisen from the increased 'technocratisation' of society. As nations are faced with increasingly complex – wicked – problems that are certainly in part generated by our own actions, we need specialists who are capable who we hope will be able to resolve them, but to comprehend them in the first place. As a democracy, we have increasingly placed experts in roles of power, as we felt that they were able to deliver objective solutions to the problems that we faced, unlike politicians whose solutions were felt to always risk falling into subjectivity and pork-barrelling.

There is however a two-fold risk to doing so. First, we have seen bankers form epistemic communities, which increasingly distance themselves from the layperson, as they are educated together, and work together, using a shared language that most of us do not have access to. Thus, second, we find that experts are increasingly distanced from the layperson, they become unable to communicate their actions or justify them. The MPC publishes its minutes, but we cannot comprehend them, and as such cannot hold its members to account.

Finally, I suggested that the Technocrat is not as objective and rational as is often claimed. Rather, their knowledge is developed based on their own identities and psychologies developed in accordance with their own histories. This is exactly what an expert is – someone who has a long history of dealing with a particular subject, and thus Andrew Bailey who has over 30 years' experience at the Bank of England should not be disregarded. However, this has meant that he has also been skewed to a particular point of view and opinion about central banking that would not be reflected outside of Threadneedle Street. We are required to trust him to help run the economy, but the way which experts relate to politicians and the public is increasingly hard to translate. Perhaps pointing towards the Bank's successes and failures would help realign its' legitimacy, but as I will discuss in the next chapter, this comes with its own perils.

Chapter Five: The Bank of England, Government and Legitimacy

In 1994 the Bank of England celebrated its 300th anniversary, marking it as one of the oldest central banks in the world.[4] The celebrations were extensive and included a conference on the bank's history, a new commemorative £50 note and "a service of thanksgiving at St Paul's – where a packed congregation, including the Queen, listened to the Governor reading the lesson from Mark chapter 10 ('Go sell all you have and give it to the poor')" (Kynaston 2017:678).[5] It has a long, venerable history of working closely with monarchies and parliaments, managing the economy of the United Kingdom. When in 1997 the Labour government passed the job of managing inflation to the Bank (under the precept of operational independence), there was little outcry or anger, but rather general acceptance. This is because the Bank of England was viewed as a central part of the institutional makeup of the British polity, but it was arguably also a way for the newly elected Labour government to allay any residual fears about its capacity to manage the economy responsibly by cementing the claim to be putting an end to what Gordon Brown called 'boom and bust'.

It is not clear when the Bank became an indispensable part of the British institutional furniture, but in 1873 Bagehot wrote that "You might as well, or better, try to alter the English Monarchy and substitute a republic, as to alter the present constitution of the English money market, founded on the Bank of England" (Bagehot 2001:177). Its long history and often vital role in helping to manage the economy has meant that the Labour government could turn to the Bank in 1997 to help shore up its image. Despite having been out of office for 18 years, Labour leaders were still concerned that the party's association with the trade unions, and their demands for high wages which had been blamed for the stagflation in the late

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[4] The first was the Swedish Central Bank, which although founded as a private bank, was passed to the state to run in 1668.

[5] This biblical passage continues, "and thou shalt have treasure in heaven: and come, take up the cross, and follow me. And he was sad at that saying, and went away grieved: for he had great possessions. And Jesus looked round about, and saith unto his disciples, How hardly shall they that have riches enter into the kingdom of God". (Mark 10:21-23) This is certainly an interesting choice of reading for a bank, an institution that is designed to *generate and manage money*, not to give it away.

1970s, was still fresh in the public mind. By asking the Bank of England to manage inflation and keep it at 2%, it would show that they were no longer in thrall to the unions. Any demand for increased wages at a political level could be politely pointed towards the Bank, with the excuse that the government's hands were tied.

This chapter will examine the relationship between the Bank and Government. First, I will consider the role that legitimacy plays in the art of governance, tied, of course to the context of central bank independence. Second, I will ask how this legitimacy can be sustained in the face of change. The Bank stands proudly on its history and tradition of economic prowess, which the Labour government heavily leant on to lend itself legitimacy in 1997. But, did the actions that Labour took in passing independence to the Bank act to saw the branch on which they were sitting out from underneath them? The establishment of the MPC and the ability to set rates reflected a large change at the Bank of England, and the question is whether it was a change that could be managed all at once. Did the focus on a specific remit fall outside of existing structures, and work to destabilise the bank's image?

The previous chapters discussed how the Bank underwent a process of rationalisation as the demand for a more "democratic" system of management saw the creation of the MPC, while the demand for staff to be well educated in economics – to a PhD level – was seen as increasing technocratisation. This shift does not leave institutions unchanged as the internal design and external image of an organisation are linked. In being asked to set interest rates, the Bank has become more directly involved than ever in the day to day lives of the general public. This has generated levels of attention towards it. Furthermore, the setting of rates is a deeply *political* role, as moving the level up or down can affect different interest groups in different ways, possibly always leaving one side unhappy with the choice made. Can the Bank, which has long served the interests of the City, also be seen and acknowledged to be incorporating the interests of the public?

5.1 The Stability of Legitimacy and the Legitimacy of Stability

At its most general, the problem of legitimacy is about why and how people accept a particular set of institutional arrangements. Weber lays out the multitudinous ways in which agreement with a rule can be generated, as its legitimacy is rarely the only reason for obeying it. "Compliance," he wrote, "can be feigned by an individual or by an entire group purely opportunistically, can be practiced out of purely material self-interest, or simply accepted as unavoidable out of individual weakness and helplessness" (Weber 1978:340). However, none of these offer the long term stability that a legitimate order offers, and it is this legitimacy that Weber was trying to understand.

Weber's work on legitimacy took on dramatic relevance shortly before his death in 1920 and the years following it, as Germany faced internal turmoil, with several parties of equal size and power battling it out, and no single group able to take control. Furthermore, there was a romantic yearning for the power of Bismarck who had retired in 1890, with many feeling that the gap that he left had never been successfully filled. There was an open hostility towards the parliamentary system that the Weimar republic had introduced. Weber himself had been a strong advocate of such a system but even he had seen it as a 'proving ground' for the emergence of capable leaders. As Mommsen put it, "Carl Schmitt said, with some exaggeration but not without truth, that Weber's notion of the parliamentary system as means of bringing political leaders to governmental power has been the "only strong ideology" that existed in 1918 in favour of parliamentarization" (Mommsen 1990:333). Even if we do not face such deep constitutional troubles now, there is a sense that despite claims that society has become increasingly rationalised and focused on the legitimacy of rules and laws and hierarchy, other forms of legitimacy have persisted and that *it is these* that generate the stability that Weber was searching for. What is also true is that these underlying irrational factors are not necessarily publicly acknowledged, but are forced to the fore in times of crisis. The financial crisis in 2007 may be said to have been one of these.

Considering this examination of the stability of financial relations, Weber himself discusses monopolistic banking practices and their relationship with legitimacy. Monopoly becomes legitimate if, he says, "there is an immediate relation of command and obedience such that the management of the first bank can give orders to the others with the claim that they shall, and the probability that they will be obeyed regardless of particular content" (Weber 1978:214). It is important to say here that this sense of legitimacy is something that is built up over time, and if it never quite reaches total domination (there are always acts that would be seen as beyond the pale) if it works, the relationship is like a well-oiled machine. For instance, the Bank of England was so powerful during the 1960s and 70s that "…the Governor had the power to raise an eyebrow at a financial practice, murmur that he didn't care for it, and wave it away without an explanation" (Parris 2009). Any practice found in the financial industry that the Governor was not happy with was rejected and his decision was accepted without need for it to be justified. His will would be passed on, with no argument attached. Presumably, this would even prevent certain ideas from being raised at all, as it would be known that they would not make it past the Governor. The Governor here is of course an institutional persona, not a concrete individual. He *sits in the role* of Governor, which is defined by the Bank. As such, the Governor represents the Bank of England but does not oversee every minutia and every deal, and the threat of their intervention implies not that the person sitting in the seat is unimpressed, but that *this is not how the Bank gets things done.*

The point about legitimacy being built up over time is that, as Weber says, all legitimacy involves a claim to legitimacy, but it is a claim that does not need to be explicitly made every day. Rather than having to constantly reaffirm values and beliefs, institutions hold these in place, enabling communities to focus their efforts elsewhere. Issues of life, death and taxes are deep and complex, but as long as legitimate organisations have done a lot of heavy lifting then it removes the pressure from individuals. However, this raises the issue of how institutions change and yet manage to maintain a sense of legitimacy, or how they remain stable and maintain legitimacy as the character of the public they are supposed to serve changes.

5.2 Exogenous and Endogenous Change

The Bank has changed its internal make-up drastically at times, as the relationship between its own branches and departments changes. For instance, in the 1970s, the foreign exchange department was a major player, working to maintain sterling in the face of global turbulence, but in 1979 the Bank chose to abolish exchange controls altogether. This decision marked the end of an era, with the Chancellor making his “historic, and totally unexpected, announcement”, and it was greeted with “cheers and whistles of incredulity” (Capie 2010:770). The Bank was internally divided over the move, and in a surprising parallel with the move to independence, “there were even those who, soon after abolition, were advocating their reinstatement as soon as a Labour Government returned to power” (Capie 2010:771). Regardless of how well the decision was received, it demanded a major reshuffle inside the Bank of England as maintaining levels had been one of the Bank’s central roles for decades. How can an institution survive in the face of a move that so deeply affects how it has worked for so long?

In How Institutions Think, Mary Douglas examined the confining nature of group ideology and memory and used her own study of the Nuer tribe in South Sudan as "an explicit demonstration of how institutions direct and control the memory" (Douglas 1986:72). Outside of a fairly short generational range, she found that "the tribal memory has developed a yawning hole, and multiple ancestors are tumbling headlong into it" (Douglas 1986:72). Their relations are remembered over a set period, but once this limit is reached, there is no longer any interest in using it as an organising tool for their tribe. So ingrained is this belief that the fifth generation back is seen as a permanent founding generation, for every following generation. Two things are interesting to note here. First, if the Nuer tribe had a different social make up their institutional memory would function differently. If leadership was based on a genealogical history, more importance would be focused on remembering longer lineages. Second, it asks questions about the role that institutions play in our conditions of being, in what they make us believe is possible, and what it rules out. Despite the considerable substantive difference between these cases, these theories can be helpful to us when considering the Bank of England.

We may observe that the Bank has had a form of rolling institutional memory that has helped to maintain its stability and legitimacy while at the same time managing to move in parallel with society. As we saw in chapter one when discussing Montagu Norman, historically the Bank's legitimacy was based upon familial ties. He entered the Bank because of these and not due to any particular skill in the area of banking. As these forms of relationship based on family ties gradually fade away, people are hired based on education and performance. With this transformation, over time the hiring of staff has become less concerned with someone's relations, and more of a focus is placed on their education and relevant experience, though this also helps to obscure the fact that often familial ties do still have an impact on employment opportunities.

What is interesting is that our memories are affected by irrational changes in how we understand legitimacy. At the time, Norman would have been viewed as the ideal candidate for the role of Governor. But 100 years later, institutions such as the Bank of England are assumed to be more rationalistic in their hiring practices and would now view Normans' hiring as nepotistic and would not necessarily produce optimal results. Our memory of Norman is, then, altered purely due to the way that we understand legitimacy in the present. That the processes which put Norman into the role of Governor are no longer in place, invites us to reconsider how he achieved the role in the first place. The fact that these practices are no longer repeated implies that they were unsuccessful before and affect all those who were involved. Relations of legitimacy are not just rooted in the past and placed upon the present/future but can retroactively affect how we view the past. This can lead to the annulment of previous regimes, in the search for “the true” source of legitimacy, as those that came directly before were misdirected or failed to appreciate the correct or true values of an institution. This does not necessarily reflect directly on actors such as Norman, but who become tarred purely by association with that which *has been* discredited. Our current values control both what we accept in the present but also how we relate to figures from the past.

A second point is that institutional memory controls what is thought possible and what is discarded. This does not mean that institutions are simply a brake on innovation. Rather, as Douglas puts it, “those fragile good ideas fell into the water of oblivion, waiting for the next phase in the cycle of rediscovery” (Douglas 1986:89). With respect to the Bank of England, ideas that previous governors had rejected – we have seen that there was a longstanding resistance at the bank to the hiring of specialist economic theorists – became the central drive for the Bank in the 1990s. This does not reflect an immediate change, but rather a slow transformation as over 30-40 years the identity and make-up of the Bank has changed sufficiently to allow different ideas to flourish. This is because the memory of previous governors or directors had limited the range of possible actions that the Bank could take until they fell off the back of its institutional memory. We find then a tension between a fundamental set of values that the Bank holds permanently that is contrasted with any one Governor. The bank could not function if it was required to accommodate the collected weight of opinions and beliefs of its governors harking back to Sir John Houblon in 1694. While Montagu Norman and the rest have not disappeared from the Bank’s history – indeed the physical Bank has a small museum within it - they have theoretically fallen off the back of its institutional memory, enabling the possibility of new ways of being.

External factors can generate both internal change and a re-examination of the significance of institutions that were previously little thought about. As far as the former is concerned, the creation of the MPC (as discussed in chapter two) as part of the move to grant independence forced the Bank to alter how it acted internally. GOVCO (The Governor’s committee which consisted of several senior bank staff) had requested that the conduct of the MPC would not involve voting as “voting would foster division not cohesion, and the outcome of voting would be more likely to leak" (Kynaston 2017:716) yet this was demanded by the Labour government as part of the package for independence. As to the latter, out-of-the-ordinary events have forced the Bank to act outside its normal parameters and drawn attention to it in ways that have led to reassessments of its role and significance. The financial crisis in 2007 forced it to take "unconventional" actions with QE, and the rise in inflation in the early 2020s has returned the Bank to a wider public purview. Statements by prime ministerial candidate Liz Truss suggested that the Bank's independence could be under review due to its alleged inability to deal with inflation (Dugan 2022).

As the Labour Government turned to the Bank of England to help shore up its reputation regarding the management of the economy, it suggests that tradition can hamstring some while benefiting others. The Bank, the Labour government and those who did not trust the newly elected Brown and Blair all believed that the Bank was a permanent institution which was a fundamental part of managing the economy. *Despite* the alleged failures of the Bank in the 1970s and Thatcher's distrust, the persisting view of the Bank was that it was a safer pair of hands than a Labour government. In parallel we see that distrust in the Labour party continued, despite its not having been in power for almost 20 years. The memories of these institutions are much more persistent than their realities. The Bank, perhaps due to its different position, has avoided culpability for the state of the economy, but independence may have generated conditions which ultimately work to undermine the Bank's legitimacy. The Bank of England must, more apparently than government, "face two ways: towards the public sector as represented by the state and public provisioning, and towards the commercial financial system as represented by the clearing banks, other financial institutions, and the market" (Mellor 2016:113). The Governor at least realised this, as "Andrew Bailey, the Bank's Governor, said there was a "narrow path" the central bank had to navigate between the dual risks of inflation and recession facing the British economy" (Partington 2022). Veer too far one way or the other, and it will lose the universal support it requires to function effectively.

This "narrow path" has been a stumbling block for all governments over the last 40-50 years. In his 1986 book Governing the Economy, Peter Hall noted that "most post-war British Governments dealt with inflation by entering into an intricate series of negotiations with the trade unions. In return for a measure of wage restraint the state traded economic policy concessions designed to reduce the level of unemployment, raise the social wage, and strengthen the unions' bargaining position on the shop floor" (Hall 1986:108). However, in the face of recession "the Government was no longer able to deliver full employment in return for wage restraint" (Hall 1986:108). The belief that spiralling wages would push inflation ever higher has been the driving force behind monetary policy since the late 1970s. However, this has been conducted at the expense of the management of unemployment. It might not have had a direct impact on employment rates, but "the governments tight fiscal and monetary policies contributed to a recession which raised the number of jobless from 1.2 million in 1979 to over 4 million in 1984" (Hall 1986:109). More recently, in 2008 the bank remained "unmoved" by fears of a recession. "King uttered a striking pronouncement before the Treasury Committee: "I do not really know what has happened to unemployment. At least, the Almighty has not vouchsafed to me the path of unemployment over the next year" (Kynaston 2017:758). Perhaps at the time the Bank was isolated from the political repercussions of taking such a stance, but by June 2022 with inflation reaching its highest level for almost 40 years, and unemployment rising, the public anger at the Bank's failure to address these issues was becoming increasingly more apparent.

5.3 Legitimacy and Administration

To help put this debate in context, it will be useful to examine how legitimacy is understood. Here I will map out Weber's typology of various forms of legitimacy, and how it can help us to analyse both Labour's decision to pass independence in 1997, and the Bank of England's actions in response to and after the financial crisis of 2007.

The central aim of being able to act legitimately is to help government run more efficiently. "Systems that are efficient are to the extent that they produce learning and implementation by their populations sufficient to meet and solve problems of the society at the least cost" (Merelman 1966:549). Rather than being forced to spend money to enforce or promote the obeyance of state directions, if their claims are seen as legitimate, they will be followed *unquestionably.* This goes above notions of rationality: even if the argument can be made on a rational basis, this takes time and money to persuade, discuss and promote. The less effort it takes for government to achieve its stated goals, the more efficient it becomes and can turn its attention and money elsewhere.

Weber offered us three different routes to legitimacy:

1. Rational grounds resting on a belief in the legality of enacted rules and the right of those elevated to authority under such rules to issue commands (legal authority).

2. Traditional grounds-resting on an established belief in the sanctity of immemorial traditions and the legitimacy of those exercising authority under them (traditional authority); or finally,

3· Charismatic grounds-resting on devotion to the exceptional sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him (charismatic authority) (Weber 1978:215)

Weber argued that over time, German society had (unlike French, which had seen the revolution's abrupt destruction of the Ancién Regime) gradually moved from a traditional sense of legitimacy to embrace a rationalistic model of rules based legitimacy. This saw rationalism take a role as the central organising feature of society, rather than a historic pluralism that had seen multitudes of local traditions exists on a par with one another. A crude version of this transformation would say that rationalism replaced tradition as people were forced to realise the inaccuracy of their previous beliefs and the truths that rationalism could deliver. However, as with any historic period, it did not equate to a clear transfer but one of contingencies and intertwining. As Giddens notes, "For most of history, modernity has rebuilt tradition as it has dissolved it" as "the persistence and recreation of tradition was central to the legitimation of power, to the sense in which it was able to impose itself upon relatively passive 'subjects'" (Giddens 1994:56). For its part, rationalism relied on tradition to get a foothold onto local society, only after which could existing patterns be abandoned. Capitalism for example found a strong ally in the Protestant Ethic, yet it has long jettisoned any religious elements.

Weber argues that "in its pure form, charismatic authority may be said to exist only *in statu nascendi*. It cannot remain stable, but becomes either traditionalised or rationalised, or a combination of both" (Weber 1978:246). A charismatic force has the power to disrupt but not to rule, as it is in its nature to lack challenge stability. Yet this reflects a minor paradox as to how something that is disruptive can become traditional, especially as modernity is seemingly paradoxically opposed to it. Giddens argues that a post-traditional society is *not* a society *without* tradition, but rather traditions are formed in a new rationalistic manner. Tradition for Giddens is now "necessarily active and interpretive" (Giddens 1994:64) acting as an organising medium of collective memory. Hobsbawm describes "Invented Traditions" as "taken to mean a set of practices, normally governed by overtly or tacitly accepted rules and of a ritual or symbolic nature, which seek to inculcate certain values and norms or behaviour by repetition, which *automatically implies continuity with the past*" (italics mine) (Hobsbawm 1983:1). Giddens questions Hobsbawm's description of "invented" traditions, remarking that "what at first sight seems almost a contradiction in terms, and is intended to be a provocation, turns out on scrutiny to be something of a tautology. *For all traditions, one could say, are invented traditions"* (Giddens 1994:93). But perhaps both authors are reaching for the same point, which is that it is not the age of a tradition that provides its legitimacy, but its usefulness. A tradition that was formed five years ago, does not necessarily lack the legitimacy of one that was formed 200 years ago. Rather, the 200 year old activity is still kept alive *because of its usefulness,* in the same way that a new tradition was founded only five years ago to solve another problem. Both are formed and maintained for equivalent reasons, the one founded 200 years ago simply has been running for longer, Older traditions may be harder to shake, but should it be decided that they were no longer servicing the community then their age will become only one amongst many of its attributes.

We see traditions being created and used to generate legitimacy while being a second order distance away from them. "The regime can signify the governmental processes which provide secondary reinforcement by elaboration of a series of condensation symbols which stand for those processes. Hence, such terms as "our way of life" or "the Constitution" reinstate quickly in the minds of the public the symbolic reinforcement now considered legitimate" (Merelman 1966:550). Thus, newer ideas need to parasitically feed off of these long standing symbols, as they would not last long without an independent source. Thus the MPC would not have been so readily accepted if it had not been attached to the Bank of England, but it also would have been closed if it had not been seen as a successful, *legitimate,* endeavour. Hobsbawm maintains that it is impossible to generate tradition out of nothing, and that "the most successful examples of manipulation are those which exploit traditions which clearly meet a felt – not necessarily a clearly understood – need among particular bodies of people" (Hobsbawm 1983:307), thus dovetailing with Giddens at their conclusions, even if they started from very different points. The MPC needed the Bank of England's reputation, *but only for a short while,* until it was able to show its own worth. However, neither the Bank nor the MPC are guaranteed a future based on their historic performances. As inflation rates rise, the notable fact of almost 25 years of low inflation is seen as irrelevant to the status of the MPC or the Banks’ independence. The longer these conditions continue, the more the original decision will be re-evaluated and reconsidered.

Now, it would an overstatement to say that any institution or individual acted solely based on one source of legitimation, and the Bank of England has long stood across the legal and the traditional. What is interesting, however, is that these two forms of legitimacy are inimical to social change. For Weber, all forms of change are eventually transmuted into the routine, becoming traditional or rational themselves. He writes “When the tide that lifted a charismatically led group out of everyday life flows back into the channels of workaday routines, at least the “pure” forms of charismatic domination will wane and turn into an ‘institution’…so that it becomes a mere component of a concrete historical structure” (Weber 1978:1121). The question that remains is, if their legitimacy relies on the charisma and difference becoming routine and predictable, then how does this function? Simply hoping to be rescued by an eruption of a charismatic leader offers no systematic possibility of change as they are intrinsically erratic and therefore impossible to plan around**.**

5.4 Persistence of Difference

Let us first dismiss the idea that any institution is intrinsically “stable”. They will always tend, as the Bank of England has, to have to walk a tightrope between different masters, who will demand very different things. This will mean that it will necessarily over time carry several contradictory characteristics. The Bank of England has existed since 1694, so how can any institution this old claim a persistence of identity in the face of such fundamental changes both inside and outside its walls? As Augar argued, the Bank of England may *look the same*, but while it has kept the same image and rhythms of behaviour, it is performing a different role. Having been created to help fund a war against Spain, it has metamorphosed over time but not necessarily *with* time. As Gurvitch wrote, “To each sphere of reality as well as to each science which studies it, there correspond specific kinds of time which are not the same” (Gurvitch 2017:173). The Bank of England does not necessarily change at the same rate as other institutions or peoples around it. Different events can create different levels of change and speed of change for different institutions, which may cause politicians or the public to question whether they are managing to “keep up” in the face of these changes. However, the Bank has not only maintained a sense of identity over a much longer timeframe than many, but its remit also requires it to act above and beyond “political time” as it manages, I will discuss in chapter five, the issue of time inconsistency.

When the Bank has changed, it has done so because it has been required to. Once it was no longer required to manage the level of sterling, it shut down its foreign exchange office in the 1980s. In response to the financial crisis of 2008, it was forced into *unconventional* actions (such as Quantitative Easing) in response to the financial crisis. We would not want the Bank of England to be as reactive as some other institutions, which change much more quickly, but at the same time, it was born out of a royal cash flow crisis and to stay exactly the same would make it unsuitable for the modern world.

Shils begins his introduction to Tradition by stating that "Very few persons argue for the revival of the beliefs and institutions of the remoter past which have been obliterated in the more recent past" (Shils 1981:1). As history has progressed, we have developed new ways of managing our lives, and have discarded old traditions which no longer make sense in a modern world. For Thatcher, the bank was an archaic relic from the past that was unsuited for the endeavours of modern society, full of men culpable for previous economic disasters, and incapable of change. But even a cursory look at the Bank's history has shown us that in actuality it – much like any other institution – is capable of change. In fact, Thatcher's opinion of the Bank put her at odds with her own statement in her autobiography that for her, Edmund Burke was 'the father of Conservatism…" (Thatcher 1993:753). Burke himself saw the value of change in the endeavour of conservation. "a state without the means of some change is without the means of conservation"; and again "I would not exclude alteration neither: but even when I changed, it should be to preserve" (Burke, quoted in Jones 2015). Jones (2015) makes the argument that while he was alive, Burke often sided with the liberals and the Whigs, and has only been adopted by the Conservatives more recently; they set out the dates of 1885-1914 as the period when this occurred which, interestingly, map on to those of Hobsbawm's arguments about the invention of tradition.

This period saw a twin movement of increasing change, but the recognition and appreciation of the value of tradition. So, to claim to be conservative in the mould of Burke suggests not only the possibility of change but its necessity. That the conservative party *did* eventually accept the Bank's independence shows us two things. First, that there can also be smaller circles of legitimacy within larger ones in terms of both time and value. The Labour Party's relationship with the Bank of England was a smaller loop within its short-term institutional history, and that they could still turn to it in search of the additional legitimacy they believed that they required. While the Conservatives were unable to look past their recent history, they would never approve of this move. This leads to the second point, that legality does not alone generate legitimacy. The move to grant independence was entirely legal, made by a party which had just been elected by a large margin. Yet the Conservatives did not accept independence for almost another 10 years. The fact that they *did* eventually concede to it, shows how its new tradition and reputation had become embedded relatively quickly. When Tucker wrote that “The regime needed to grow roots” (Tucker 2018:252), he might have added that some roots do not necessarily take a long time to settle.

Blau notes, “Generally, traditional authority tends to perpetuate the status quo and is ill suited for adaptation to social change; indeed, historical change undermines its very foundation” (Blau 1963:308). However, as Shils points out “Rulers, despite their insistence on the traditional legitimacy of their authority, were constantly being forced to depart from tradition” (Shils 1981:28). This, says Shils, was part of the constant struggle for them to retain their position and power, and prevent opposing groups, such as the clergy, from acting against them. So, despite the essential claim that they were in their position due to historic reasons, they were forced to constantly work on both this record and ensure that their actions matched the issues of the day. In a similar parallel manner, the Bank of England historically may have had a specific role in maintaining the value of gold, but it also regularly suspended the gold standard in times of need. This departure from the form is that which produced the legitimacy which helped maintain it. This was repeated in 2007 when unconventional methods were the only way that the Bank could rescue the financial markets, as it faced an evolving system of crisis, unseen before.

No tradition is, Shils tells us, ever a coherent whole and will contain a multitude of views and opinions on the best way for things to be done. This tension was built into the Bank of England from the start, and it has always been required to service multiple interest groups. Yet while this may be true, one part of the Bank or any institution will necessarily dominate at any given time, and if this is so, then the other element must reside in the background. As Mellor puts it, “The direction that central banks favour determines the extent to which the supply of public currency is publicly or privately determined” (Mellor 2016:113). This is a zero-sum game. As the Bank focuses on the market, the political is necessary forgotten or ignored, and as discussed, even delegitimised by those who are benefiting. We saw in chapter two that minutes were used at times to help manufacture certain points of view *that were beneficial to the Bank.* It uses the power available to it to make it seem as if working against the market is untenable, and will make everyone worse off. This is to say that we should not immediately assume that the Bank's actions are in the best interest for all, simply because they say so. As such, it helps to examine the long standing, but shifting relationship between the Bank and parliament.

5.5 1945 and All That

In the years immediately after World War Two, the newly installed Labour government sought to deliver some quite radical changes to a country that had been ravaged by war. Although "The Bank's constitutional status was hardly a headline issue during the 1945 election" (Kynaston 2017:392), the newly elected Labour government chose to nationalise the Bank in 1947. The Chancellor of the Exchequer Hugh Dalton [1945-1947] made the following comment during the parliamentary debate

> *Is it not, indeed, a strange anomaly that, in this modern world, the Bank of England should still be, in law, a private institution, owned by a rather miscellaneous body of private stockholders who elect, from year to year—anybody who happens to have bought £500 or more of this stock gets that right—the Governor and the Deputy Governor of the Court of this most famous central banking institution*.
>
> (Dalton 1945 cc45)

The Bank had, for the previous 250 years, acted of its own volition. However, this was now seen as contrary to the political reasoning of the Labour government. Although the Labour party was 'only' 46 years old at this point, having officially formed in 1900, their sense of being able to nationalise the bank as part of a radical policy programme derived from the belief that democratic legitimacy outweighed whatever traditional authority the Bank itself possessed. The Bank was seen as, in Giddens terms a 'relic' ("a signifier of the past which has no development, or at least whose causal connections to the present are not part of what gives them their identity" (Giddens 1994:102). New relations needed to be built, as society went through a process of rationalisation, where "the assumption is that a body of legal rules has been deliberately established to further the rational pursuit of collective goals" (Blau 1963:308). Or as Weber put it, "every social action of human beings must always be visualised as either an 'application' or 'execution' of legal propositions, or as an 'infringement' thereof, since the 'gaplessness' of the legal system must result in a gapless 'legal ordering' of all social conduct (Weber 1978:657). Thus, rather than offering a competing notion of traditional economic power, the Bank would be integrated into the governmental milieux; its power would be reduced but its more than residual traditional authority would be something that the new and radical Labour government could benefit from.

Whether this fundamentally changed the Bank itself is a question that is hard to answer and opinions of the event around the time vary. The Bank's website states that nationalisation gave "the Government the power to appoint the Bank's Governors and directors, and to issue directions to the Bank. To date, the Government's power to issue directions has not been used" (Bank of England – Our History n.d.). Lord Catto, the Governor at the time of nationalisation [1944-1949] boasted about "how he had succeeded in keeping things surprisingly unchanged in daily practice…and how the "halo" of mystery and power was an asset which he had preserved" (Kynaston 2017:393]. Other authors make similar comments, as Vogl claims that nationalisation left many features of the Bank the same: "the informality of the bank's policy-making, its arcane management, the ad hoc process of consultation between the treasury, the bank, and private interests" (Vogl 2017:80). Even by 1970, the Bank maintained its old ways. In referring to the bank's reluctance to answer questions about secrecy and private influence in banking policy, one Labour MP commented resignedly that "every question put in this direction is met with the answer – well we have been here since 1694, so we can't be all that bad, we must know our way around the joint" (Vogl 2017:80). Not everyone was of this opinion, and when Montagu Norman, Governor for 24 years, was asked whether the bank was still the same place "He replied mournfully 'They try to pretend it is the same place'" (Kynaston 2018:397).

The role the bank played in the economy, however, did necessarily change, and between 1979 and 1994 staff numbers almost halved from 7,700 to 4,400. This was in part due to "relaxation of exchange controls in 1979, closure of note-centres at Newcastle and Glasgow in 1981 and the closure of the Liverpool and Southampton Branches in 1987, and of course, at present, the rationalisation of the remaining branches" (Kynaston 2017:683). As Capie notes, exchange controls had been a central concern of the Bank during the 60s and 70s, and were being continually adjusted. Despite reserve from the Bank over controls, "in the 1970s numbers employed in exchange control rose from 490 in 1970 to 750 in 1978" (Capie 2010:766). This is despite confusion reigning over it as "exchange rate adjustments were of doubtful efficacy for employment and the current account" (Capie 2017:713). When the Conservative government abandoned exchange controls in 1979 the Bank lost one of its central functions.

The financial "big bang"[6] of 1986 which saw the Thatcher government deregulate the financial markets and open up the possibility of foreign ownership of banks, further altered the Bank's internal set up and external relations. The Bank was left "painfully starting to wrestle with an increasingly mobile, avaricious world where the City was no longer a club and where club rules no longer applied, let alone Cobbold-style Etonian standards" (Kynaston 2017:618). The bank's sense of legitimacy was strained as its internal focus was forced to realign while changing personnel within the financial industry required the building of new relationships as historic ties were frayed and broken. Yet, the Bank of England managed to change *just enough* to survive this period of rationalisation. "The changes unleashed on that day helped launch a gale of creative destruction that swept away the old restrictions on doing business in the City of London and cleared the field for an era of innovation that continues two decades later" (Larsen 2006). Many of the older financial firms and big banks fell after the 'big bang' as they were unable to match new foreign owned capital, yet the Bank of England persisted.

5.6 Political Economy and the Search for Legitimacy

In his memoirs, Nigel Lawson, Chancellor of the Exchequer from 1983 to1989, says that he "amazed and horrified my officials by asking them to devise a concrete proposal for an independent but accountable Bank of England" (Lawson 1992:867). The Conservative government had found themselves in a quagmire, unable to kickstart the economy and unwilling to be seen to be taking direct action, as many in the party had tied themselves to the sails of the free market. One route had been monetarism, a policy which left the government allegedly standing at a distance from the economy, though Lawson himself admitted that "contrary to the myth of the monetarist golden age, the target was only hit twice…every other year it was overshot, usually by a large margin" (Lawson 1992:448). As his mid-term financial strategy faltered, Lawson felt that if they turned to the source of the money – The Bank of England – then handing it control over interest rates would work to reduce the amount of money in the economy, and therefore inflation. He also believed in the benefits of institutionalising these kinds of decisions, though Thatcher "seemed quite incapable of accepting that there might be another government someday, and that it was in the national interest to entrench counter inflationary policy against that eventuality" (Lawson 1992:871). This argument is informed by a belief in the value

[6] The Big Bang, a term "coined in this respect by the Bank's Douglas Dawkins" (Kynaston 2017:599), happened on the 27th of October 1986 as the Financial Services Act 1986 was enacted. It opened up the London market to foreign investors, and reduced regulation, instead encouraging banks to self-regulate.

of moving political decisions out of parliament, into institutional designs that would be hard to uproot without the loss of legitimacy to those who did so.

In the short term, the powers passed to the Bank of England under independence could have easily been returned to the Chancellor and parliament. The Conservative party opposed independence for almost 10 years after 1997, and had they won the 2001 or 2005 general elections, would have been prepared to reverse Labour's decision. However, the longer independence lasted, the harder it would become for any political party to end it, at least not without risking looking as if they were doing it for *political reasons*, to regain power that had been passed to the Bank or utilise it on behalf of special interest groups. As long as rate setting was in the hands of the Chancellor it was an accepted political tool. Once placed in the hands of bankers, its political aspect was obscured. What would be political thereafter was any decision to reclaim interest rate setting power.

Thatcher was not at all receptive to independence. In her autobiography, she accused Lawson of having tried to redirect public anger at their failed economic policies. "He wanted to pass responsibility for them to something – or someone – else" (Thatcher 1993:706). The role of the politician is to act, to set the agenda and not to follow it, so to pass power to the Bank of England would equate to an abjuration.   "This is what is demanded by the spirit of *office*.   A political *leader* who behaved like this would deserve our *contempt*" (Weber 1994:161). While I do not dispute that this is what Thatcher believed (as did many in the Conservative party – independence was also rejected by John Major, and it was not accepted by the party until 2000), the history of the Bank and the economy in the 1970s meant that such a move was unlikely. Two friends that Thatcher met in Switzerland reinforced the negative opinion she held of the Bank, suggesting that the "Bank of England was mishandling the management of the money supply" (Moore 2014:530). Not only this but they were held responsible for errors of the past. Gordon Pepper (an economic advisor to Thatcher) helped to instil this distrust, telling Thatcher's biographer that he had persuaded her that Richardson (Governor from 1973-1983) was "guilty as hell over the Barber Boom" (Moore 2014:462).[7]

[7] The Barber Boom is named after Anthony Barber, who was Chancellor of the Exchequer from 1970-1974. His 1972 policy "aimed to deliver10% growth over two years (twice the economy's productive potential). There were income tax cuts. purchase tax cuts and increased government borrowing" Steele 2010:80). For a while this worked, but ultimately resulted in "stagflation" that saw high inflation but low growth, suggesting that high public spending would not resolve the issues at hand.

> Did they want another ‘Barber Boom’, she derisively asked, referring to the ‘later, detestable, inflationary portion of the Heath years. Were they honestly prepared to give a higher priority to jobs than inflation, when 20 million Building Society investors, many of them Tory supporters, wanted above all to see their savings protected from the ravages of being devalued?
>
> (Young 1989:219).

The fact that Thatcher was hostile to the Bank did not mean that her predecessor as Tory leader was a friend of it. Edward Heath, prime minister from 1970 to 1974, himself had differences with the Bank, which “were deepened that autumn by Heath’s outright refusal of the Governor’s request for the Bank rate to rise to counter inflation and a rapidly increasing money supply” (Kynaston 2017:489). For Thatcher, any association with the Bank of England would work to delegitimise government rather than improve people’s opinions. “No one was more conscious of the effect of high interest rates on what she sometimes referred to as ‘our people’” (Moore 2014:462). The Bank’s alleged failures to manage the economy meant that Thatcher did not wish to pass any further power to them as it would look as if not only was she hiding behind it to avoid responsibility for the economy, but also that – in contrast to Blair and Brown about the same policy - her authority was weakened. The character of the individuals who ran the institution did not encourage Thatcher to change her view. The Governor Richardson was “a peacock of a man” (Moore 2014:344), while McMahon was a man who had “little time for monetarism in any shape or form…the role of monetary policy was for him a subordinate one” (Lawson 1991:450), and who would, according to Thatcher, “never be Governor of the Bank of England while I’m Prime Minister” (Moore 2014:462). However, we can see that this level of distrust was to some extent personal.

This hints at something above or beyond the rational. The decision to pass independence to the Bank of England and sacrifice the ability to set the interest rate, which is one of the central tools of the economy, would seemingly be an important decision to make at party level. Yet as we have seen, it never moved past Thatcher or Major to a wider debate and was shipped out to the Bank in a matter of days by Blair and Brown. Even the descriptions of the Bank vary depending on who is talking about them. For Thatcher, Richardson was a peacock of a man, yet Lawson, who fought for the Bank’s independence, describes him as “impressively leonine in appearance” (Lawson 1992:23). This apparent divergence in opinion could have been down to personal preferences, but also the positional relations that each held to Richardson. While Lawson saw a man whom he wanted to pass independence to, Thatcher only saw a stuffy bureaucrat who could not be trusted with the economy.

Thatcher neither liked nor trusted those in charge at the Bank and held them responsible for previous failures and for obstructing conservative policies. And even when Richardson and McMahon had left, she continued to resent the Bank, associating it with the men now for whom she has such little regard, rather than be satisfied that they had left. But, however personal the language of her dislike for Richardson, it was directed at him as the incumbent of a role, a historic role that connected him with a long history of both failure and success.

5.7 Utilitarianism and the Threat to Stability

The Bank of England had long maintained a suitable distance from party politics, having never directly faced accountability from the electorate for any of their decisions. The move to independence changed this and raises two questions. First, should it live or die on the hill of utility? Weber never explicitly discussed this aspect of legitimacy, and here we have seen one reason that it is unsuitable. To hope that success will generate legitimacy will always necessarily be a gamble as this must entail that failure will undermine that legitimacy.   Why then take the risk of independence when the Bank's legitimacy could be maintained without opening it to such fragile criteria as success and failure? In other words, in her hostility to independence, and insistence on her own responsibility as a decision maker, Mrs Thatcher, regardless of what she thought about individual members, may be seen to have been protecting the bank from being judged in terms of utilitarian criteria.

Second, how much can a relationship be destabilised and changed before it has even had time to deliver any promised difference? Labour changed up monetary policy to a large extent by granting independence, and creating the MPC, but leant on the Bank of England to help legitimate this decision, despite changing it at the same time. Unlike the previous major change in the relationship between the Bank and government – that of nationalisation – the granting of independence did not seek to really change anything, but rather to reinforce it. This is perhaps why so little attention was paid to the move, but also suggests that the Labour government could have acted more radically and still faced little resistance, especially based on the public mandate they had received in the election.   However, as they were looking to the Bank to help shore up their legitimacy in the eyes of market actors, it meant they were limited by how much they could change an institution that the public had little interest in. Thus, while they sought greater legitimacy, in the short run this limited their possible actions.

This transfer of power could have ultimately worked to undermine Brown's time as Chancellor, had it failed. Mommsen says of a political leader's charisma that it "simultaneously legitimises his authority, thus, at least indirectly, entitling him to *unrestricted obedience from his followers*.   As long as the power of charisma is unimpaired by the failure of defeat it is, for those who believe in it, a duty to obey the bearer of it" (Mommsen 1974:93). Yet this obedience was not permanent, and would last as long as their legitimacy held out, which it would not *unless* it metamorphosed into another form. But this is why Weber said that charisma tended not to be able to establish lasting institutions, which require that they are protected from everyday considerations of success and failure. Weber's view of legitimacy presumed an allegiance regardless of consequences, and believed in its inherent stability. This is something that a utilitarian point of view would not help support. An authority based on results only will necessarily always face turbulence, both due to the unforeseeable consequence of human decision making and also the fact that there are too many uncontrollable external factors. Whatever plans that might be made, they will likely go astray, so it is better to base legitimacy on intentions rather than on the hope that plans will produce the results that were expected of them. A constant external feature of inflation has been the price of energy and especially oil, which is something that neither the British Government nor the Bank of England has any control over, and while it can be mitigated to some extent, it will always be an unknown input in any economic plan.

The history of the Bank suggests that its successes or failures have never been the decisive criterion for its authority. Merelman writes that "Legitimacy is granted [to] a regime after a considerable period of experience with it, training by it and symbolic rewards from it" (Merelman 1966:552). There will always be some amount of drag with relation to this, for as long as it takes to build up it will equally take to be undermined. At first mistrust and disbelief may hamper legitimation attempts, regardless of how successful an actor or institution is. Equally, once legitimacy is attained, this will not evaporate at the first signs of failure. Merquior argues that Weber had an "odd combination of a candid acknowledgement of the ability of utilitarian motives to sustain the validity of a social order, with a stubborn reluctance to let them qualify as sources of attribution of validity" (Merquior 1980:93). Weber's ruler centred theories meant that at times they are "quite unsatisfactory as a global picture of the legitimacy situation, even during the honeymoon period of modernising revolutions – for it too tends to play down the ‘view from below’ (Merquior 1980:134). By focusing on the *presumed legitimacy* of rulers, Weber offers us little explanation of how it is accumulated or lost. Considering this, we have to look beyond Weber to understand the effect that independence had in the process of legitimation**.** This is because making the Bank independent introduced via the remit, more direct and overt criteria for measuring success or failure. Now, the list of criteria by which it could be judged includes a monthly figure which is easily monitorable even by those with little economic knowledge, as everyone is affected when the price of fuel and food rises.

Despite this heavy focus on the results of CBI, and the claims by authors such as Cukierman that it was a “free lunch”, papers written since have questioned the legitimacy of these claims. For example, in 2012, Petrevski, Bogoev and Sergi asked if the link between CBI and inflation was “sensitive to the endogeneity issue”. This is when external factors exist which means the correlation between an implied cause and effect should not be interpreted as causal. They concluded that

> The results from our empirical models do not provide empirical support for the significant and negative relationship between CBI and inflation in transition[8] economies, which is in contrast to the previous empirical studies in this area.
>
> (Petrevski, Bogoev and Sergi 2012:646)

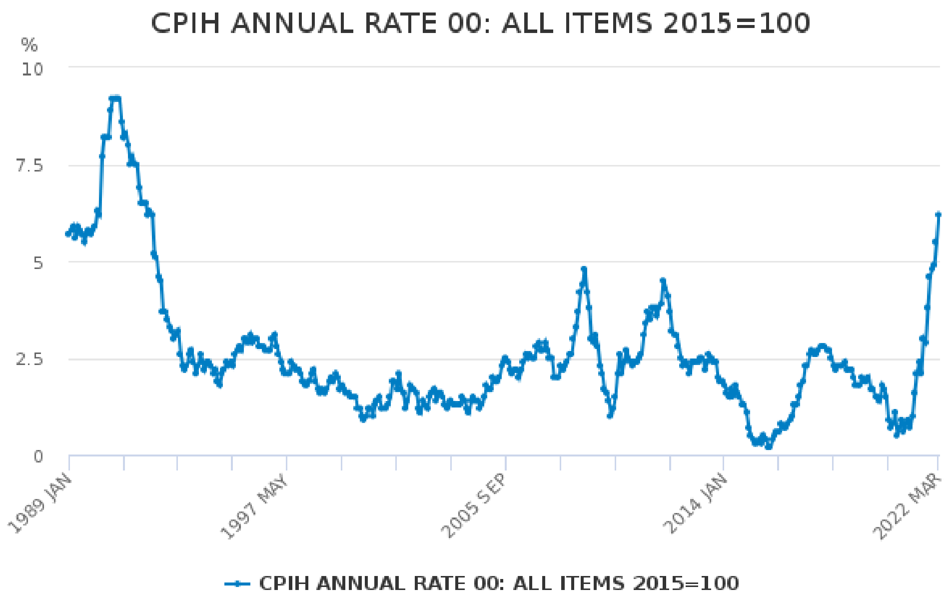

Figure 2 - Annual Rate of Inflation in the UK 1989-2022

[8] A transition economy in economic theory is one that is moving from a planned economy to a market based one.

Furthermore, CBI was only put in place in the UK, *after* inflation had been bought down to a manageable level. For the UK the diagram 5.1 shows how inflation had fallen between its high in 1989 and the introduction of CBI in 1997 when it was left to the Bank of England to maintain low inflation and not reduce it.

The bank's independence *was* predicated on a mandate to keep inflation at 2%, and for a long time it managed to do this. However, while these criteria are how the Bank is measured now, historically success was not *the source* of its legitimacy. If for example, a politician seeks to change the conditions that his electorate finds themselves in, their legitimacy lies in the *potential* change that they may bring about at an (un)specified time. This is based on a shared understanding of what the future looks like, and furthermore, would eventually collapse if these gains were not seen. For example, the tax cuts that Chancellor Kwasi Kwarteng delivered were predicated on the belief that they will help to deliver economic growth. Acceptance of this is dependent on agreement with this plan, but also the plan actually delivering growth. Without success – in this case growth - the tax cuts will be reviewed in a much more negative light. The longer that it took for growth to be delivered, the greater the loss of legitimacy, until action was demanded.

As Tucker writes, we can only delegate to agencies "If society has broadly settled preferences and those preferences can be specified in an objective that is clear and monitorable" (Tucker 2018:104). Seeing as inflation was regarded as a universal evil, locking it into a third party agent was unproblematic. However, if the objective is contested, then there would be a desire to keep it politically available for debate and not placed behind closed doors. Of course, the desire to fight inflation can be generated by government, but it is unlikely that the Bank of England's independence would have lasted beyond the Labour administration had inflation risen dramatically during this period, as it was justified by the belief that it would work to manage to keep it low. The rise in inflation to 7% in March 2022 did not, despite a clear failure of policy, immediately work to undermine the Bank's legitimacy. Conservative MP Mel Stride made the rather surprising following statement during commons treasury questions:

> There has naturally been criticism of the Bank of England given the level of inflation and their inflation target, but amongst that criticism have been reports that some in government, including perhaps one member of the Cabinet, have actually been suggesting that the independence of the Bank of England should be removed

(Arnold 2022 The Independent)

The Bank was not – at time of writing - facing a threat to its independence; *however,* it may do so if the distance between the targeted rate of inflation and what it actually is continues to grow or become too much. This would only generate an increasingly public debate over the bank's nature and role in the economy.

One of the central reasons Weber disregarded utility as a source of legitimation was because he viewed it as working to undermine the stability of the institutions it sought to maintain. Yes, success does help feed into legitimation, but "If…the acceptance of such commands were made to rely mostly on expediency, then the resulting rate of efficacy would almost certainly be too indeterminate and precarious to be admissible by systems other than those where social change is slow and unconspicuous [sic]" (Merquior 1980:123). As Weber writes, "The merely external fact of the order being obeyed is not sufficient to signify domination in our sense; we cannot overlook the meaning of the fact that the command is accepted as a "valid" norm" (Weber 1978:946). The aim of legitimate domination is to make ruling easier and cheaper. If each decision *had* to be justified either pre or post event this would take too much time and energy and challenge the relationship of domination. They would never be acting simply because it was legitimate, and thus threaten the stability of the situation. The Bank of England, facing a global economy that is constantly shifting and facing crisis, it needs to be able to order actions, and be obeyed, without delay.

This had already been seen during the 70s and 80s as external events such as the oil crisis are beyond the control of any one nation, so an internal institution would be fundamentally unable to manage these shifts. At times the Bank has acted contra to the government's aims, through no fault of their own. Thatcher blamed the Bank of England for the abandonment of the "corset" in 1980. Originally introduced in 1973, the "Supplementary Special Deposits Scheme" was an attempt by the Bank to regain direct control over the monetary supply of the country, however it was found to be all but useless after the government abolished exchange controls. This left the Bank of England unable to control where capital was used, and Lawson accepted that this had made the corset "a complete mockery" (Lawson 1991:82). Yet equally, the Bank's reaction to the financial crisis in 2007 saw them provide liquidity to banks which managed to prevent the collapse of the financial industry.

Since then, the Bank has shown itself unable to translate the vast sums of money it has inserted into the economy (which as of November 2020 stood at £895) into investment in the UK. A staff working paper at the Bank of England found "no evidence that suggests that QE directly boosted bank lending to the real economy, even when controlling fully for demand-side effects" (Giansante et al 2020). QE prevented the financial system from collapsing, but the Bank no longer has the power to divert money to where they believe it is needed, instead this lies with the banks which are choosing safer investment options than public lending. The Governor can no longer raise an eyebrow and expect the other financial institutions to follow. As inflation rates rise globally, the UK public face an increasing cost of living while being warned to expect recession. This undermines the Bank of England as its remit was explicitly based on managing inflation (alongside assisting the government's economic policies), from outside of the political arena. Being unable to do this anymore, or being forced to respond with phrases and processes that were previously seen as political during the 1980s under Thatcherism (such as an acceptance of the necessity of recession) suggests that the Bank is political but hiding behind a screen of technocratic indifference.

The Bank of England is facing its most difficult period since it was granted independence, but despite its failings, scrapping independence at the first sign of difficulty would be far too simplistic and only work to undermine the whole raison d'être of institutions. Rather, they have a period of grace, or perhaps a sort of twilight zone, where their failures are apparent, but are still beyond the reach of accountability from the public or government. This period prevents knee-jerk reactions to apparent failures, but also allows these institutions to fulfil their remits without interference. Furthermore, this "grey zone" is of indeterminate length, and falls to parliament ultimately the line between allowing time for an institution to recover, and admitting defeat. The threat of failure, therefore, does hang over these institutions, it is not quite as precarious as the situation Damocles found himself in. For him "Dionysius had a gleaming sword, attached to a horse-hair, let down from the ceiling in such a way that it hung over the neck of this happy man" (Cicero 487). The Bank of England does not face the constant threat that Damocles felt, as they have some room to manoeuvre, in part because they were not acting in the direct view of the public. And, while errors can occur, they have time to deal with them before the sword falls. This *minimal amount of* stability is what drives the relationship, and a perceived lack of accountability is, in this account, needed.

5.8 Legal Domination and the Possibility of Escape

These institutions do therefore have limited accountability to the public, insofar as they are permanently installed in whichever role they have been given, shut off entirely from government (this is where the Bank of England is distinct from the ECB for example). The relationship is, as Weber made clear when discussing the concept of legitimate domination, is one of (relative) equality. It is not a question of legitimacy if it has seen the will of a dominant power force their wishes upon others. As Weber writes, "Any large central bank or credit institution, for instance, exercises a "dominating" influence on the capital market. It can impose upon its potential debtors' conditions for the granting of credit, thus influencing to a marked degree their economic behaviour for the sake of liquidity of its own resources" (Weber 1978:943). But he adds that the banks do not claim authority in these cases, only that it is better for them if formally free actors obey their instructions.

Merquior concurred, writing that "legitimacy presupposes that the dependence between super- and subordinates is *not* too asymmetrical and that escape from the situation of dependence is easily available" so that consent is "as free and genuine as acknowledgement or the right to rule as it may be" (Merquior 1980:133). In <u>The Sociology of Powe</u>r Martin made a similar point: "The amount of power in any relationship is directly determined by the relevant distribution of dependence and the availability of escape routes" (Martin 1977:55). Now, when we are considering an institution like the Bank of England, escape routes appear much harder to generate. As lenders of last resort (this means that it acts as the provider of liquidity when other sources are all unavailable), the Bank of England essentially underwrites *the entire* financial system. When inter-bank lending dried up in 2007 as a precursor to the financial crisis, the Bank of England was the only institution that had the power to step in and shore things up. But, as the buck ultimately stops with the Bank, financial institutions are beholden to it or else face potential financial ruin. Perhaps this has been weakened in the time since financial liberalisation in the 1980s as money became much more easily accessible, but we also saw during the financial crisis an increasingly powerful and sovereign bank being able to make fundamental decisions about those in the market.

Equally when considering the relationship between institutions of state and the population, traditional escape routes have been blocked off. The most obvious – being able to throw the incumbent Governor out and elect a new one - is not available. The Governor is appointed by the Chancellor of the Exchequer, not directly elected, and Andrew Bailey was appointed in 2020 with an eight year contract, leaving him in the role of Governor until 2028 regardless of who is elected to government during this time. While there are fewer permanent external members of the MPC, we saw in chapter two that these figures are not bought in to challenge the orthodoxies of the Bank, nor mitigate its excesses, but merely bring an “alternative” point of view. Independence cannot be said to have increased the accountability of the Bank of England.

By sheltering the Bank of England from the potentially chaotic effects of democracy, the government may well have helped to generate stability for the markets, but they also shut down the possibility of change. Weber held as bureaucracy increasingly took hold, charisma would be a vital (indeed only) alternative source of power which would work to prevent its total domination. Merquior argues that he was prone to a “pendulum pattern based on a recurrent oscillation between charismatic irruptions and bureaucratic expansions” (Merquior 1981:100). Democracy and bureaucracy are, ultimately beholden to conflicting principles. The difference lies in whether "the organizations purpose is to settle on a common objective or to accomplish given objectives, and whether the governing principle of organizing social action is majority rule rooted in freedom of dissent or administrative efficiency” (Blau 1963:315). There will always be a necessary payoff that results in sacrificing the efficiency of the apparatus to allow more democratic oversight, yet at the same time, this will also help to generate greater legitimacy. However, to rely solely on the vagaries of utilitarian success would be as equally unsettling as allowing democratic oversight, and if the Bank of England continues to turn its attention towards the markets at the cost of the general population it will find its legitimacy continues to deplete *despite* any success. This is because a) there are multiple concepts of success that are competing which are incommensurable and b) it finds that its previous actions while strengthening its relationship with market actors, does not provide the same sense of legitimacy to its new public audience.

Conclusion

The Bank of England was set up over 300 years ago in response to a particular set of circumstances, yet has managed to install itself as a permanent presence within the British polity. This would have not been possible had the British Government not chosen to maintain it, as it repeatedly had to turn to the Bank in order to help manage the economy. The fact that it is not the same institution that it was in 1694 is the *reason* for its continued legitimacy and did not dissipate as soon as its original intent had run its course. Excessive success can equally reduce the legitimacy of actions in the past. The fear of inflation is what drives central bank independence, but when this wears off the question may be asked, why did we ever lock this in at the expense of other economic factors?

The concept of legitimacy is thus tied up in knots, and we cannot simply pull out one element or angle of an institution and exclaim that this, *this* is what means that we believe in their work. Rather, it is in permanent flux, which always risks being lost, but has a buffer zone of acceptable failure and success where the possibility of change arises, but can equally be shut down again. The Bank of England can only continue as it does by abandoning its past, but at the same time leans on it to generate its continued legitimacy. The domineering figure of Montagu Norman, as one of the few governors to have their portrait hanging in the Bank's atrium, still hangs over the institution, reminding it of its previous strengths (Eichengreen 2018). However, this power is equally problematic for the bank, as to act in such a way now would be to risk its independence. The current socio-political environment finds the bank in turmoil which may threaten independence. If we can be certain that the Bank will continue, it is harder to say what its form will be or what its relationship to government will look like.

Chapter Six: Central Bank Independence and the Values of Bureaucracy

When the Labour party decided to grant independence to The Bank of England in 1997, this was seen as something of a surprise. One reason for this was that The Bank had long been seen as an opponent of progressive politics. Indeed, when the postwar Labour government nationalized it in 1946, it was with a view to making it easier to control and this view persisted in Labour circles. Peter Shore, for instance, suggested as late as 1993, that were Labour to "formally renounce the power to control this country's monetary system'…'we would die of shame" (Patel 2008:37). Gordon Brown, however, believed that independence meant "monetary policy decision-making now became more responsive to economic conditions quicker and more flexible in reacting to problems" (Brown 2017:122). There were still some objections. On the 7th of May, 1997, days after the move, Labour MP Dennis Skinner forcefully objected, stating "I can't recall an occasion when we discussed handing over power to the Bank of England. We get into power to keep it" (Mullin 2012:235). However, Skinner was in a minority, and indeed many didn't voice any opinion.

This curious combination of surprise and indifference invites reflection on what exactly it was that nationalization was supposed to achieve and what it was about the Bank of England in 1997 that made independence a safe option. As we have seen already this issue of what the Bank of England is and its position in the polity can be examined from several angles. In this chapter we will consider it in terms of ideas about bureaucracy and officialdom, and the old question about whether bureaucracy is a help or hindrance to politics and policy.

George Lansbury, who eventually led the Labour Party from 1932-1935, once said "All through the life of the late [1929-1931 Labor] Government, Treasury officials obstructed and hindered the Ministers in their work. No one can deny this" (Lipset 1968:222). Of course, the view that bureaucrats are natural hand brakes in the face of radical change is not confined to the political left. They may constitute such brakes either because they represent their own special interests and are going to resist anything that affects or reduces these, or because, from possibly decades of experience, and in contrast to new and naively ambitious ministers, they simply know what works, and what doesn't.

Yet this point about knowledge distribution is a reminder that bureaucracy represents a vital role in the management of modern society – any government worthy of the name needs administrators, ranging from experts and technocrats to experienced senior officials. At the same time, there is always the risk of officialdom becoming separated from society, either because of the character of specialist knowledge (notably quantitative rather than qualitative) or because of elite group formation.

This chapter will discuss the relationship between The Bank of England, the treasury and the public, and whether the nature of organization affects these relations. Have bureaucratic tendencies worked to distance the Bank from its role towards the public, or is it its lack of bureaucratic values that undermine these relations? It will examine the following questions. First, does the bureaucratic reduction of qualitative data into more manageable quantitative data mean that while organizations are capable of processing information much more quickly and efficiently, they become indifferent to that which they are dealing with. Alternatively, do bureaucrats hold values which mean that they cannot be turned on a sixpence towards any goal that the current government feels like, dedicated as they are either to their own set of values or to the state, which will long outlast any given set of MPs. Second, how much of a threat do bureaucrats offer to the smooth running of government? Does the fact that they have a distinct knowledge base which MPs should listen to when wishing to enact policy act as a hurdle that must be overcome or vital knowledge that only the blasé would choose to ignore at their own cost.

6.1 "The new issues are the right issues: modernising government, better government, getting government right"

(Tony Blair "Foreword" in "Modernising Government 1999:4)

That Labour chose to confer independence to the Bank of England is almost as surprising as the fact that it had not happened earlier during 18 years of Conservative rule. After all, the Conservatives had spent the best part of two decades "rolling back the frontiers" of the state in a belief that government intervention of any kind distorted the market. The state had to be tamed, but as Milton Friedman remarked of Thatcher and Reagan in the preface to the 40th anniversary edition of Capitalism and Freedom, "They were able to curb Leviathan, though not cut it down" (Friedman 2002:vii). Friedman was not necessarily referring to the position of the Bank of England here, but his further elaboration is revealing: "whilst he would *like* to be a zero-government libertarian" his reading of history had taught him that this was “not a feasible social structure…” (Peck 2010:111). If the state could not be removed completely then it could at least be reimagined in how it looked and acted.

Events such as the financial crisis and COVID-19 have shown that, even with Bank independence, the Bank of England is required to step in when markets are failing, at the behest of government. This will be discussed further in chapter seven. This is important to note as it has meant that rather than simply privatizing and ending governmental relations with the Bank, government has sought to restructure, realign, and refocus its organization. The title of this section is a quotation from Tony Blair’s introduction to a White Paper called “Modernizing Government” which proposed improvements to public services. It hoped to, amongst other things, offer services “that are flexible and innovative rather than closed and bureaucratic” and “move unnecessary bureaucracy which prevents public servants from experimenting, innovating and delivering a better product” (Modernising Government 1999). According to Peck and Tickell, this formed “an emergent phase of active state-building and regulatory reform - an ascendant moment of “roll-out neoliberalism” (Peck & Tickell 2002:384). The rolling out of the market is sold to the public as seeing the state being *replaced* and having minimal or no involvement with economic factors. However, as Alan Scott wrote, the opening phases of this action under Margaret Thatcher found that “while business, or some areas of business, have clearly benefited, it is the state which has determined, and (in so far as it is currently able to control events) continues to determine, the pace, and to a degree the direction, of change” (Scott 1996:93). It is utopian thinking to believe that the free market is “free” as this ignores the regulatory role that the state performs which it uses to pick and choose successes and failures in the so-called free market. The state and the free market are so intertwined that Scott states that in some cases “the market can appear to be itself an arm of policy” (Scott 1996:93). Not only does the state work to manage the conditions that capitalist firms exist in, but it also works to produce the individuals who work for them and consume their products. It “assists in bringing about the type of society and economic subject without which the market cannot operate” (Scott 1996:94). There is perhaps a realisation that the state cannot simply move away from the market, but the failures of the past had “called for responses outside the narrow repertoire of deregulation and marketization” (Peck & Tickell 2002:390). Bank of England independence was part of this story, in the sense that it was being allowed to operate on its own, but within a tightly defined remit.

6.2 Weber on Bureaucracy

These efforts by the Blair government to rethink government and officialdom were in some senses continuous with reforms that had already been put in place, and which provided scholars with new opportunities to think about bureaucracy and its role in the polity. In In Praise of Bureaucracy, Du Gay argues that a specific interpretation of Weber's theory of bureaucracy has become axiomatic (Du Gay 2000). We will run through that standard account and return to reflect on it later.

Friedrich wrote that "Max Weber's analysis of bureaucracy is one of the central points in his sociology. His key concept of rationalisation as a distinctive feature of modern society, especially as linked to his notion of a de-mystification of the world, finds one of its concrete manifestations in bureaucracy and bureaucratization" (Friedrich 1952:27). Weber was an early and methodical examiner and critic of bureaucracy and has deeply informed much of the debate around it for the last 100 years. But to understand modern criticisms of bureaucracy is to revisit Weber and to argue that much modern theorising is based on an incorrect reading of Weber's work, and therefore the value of bureaucracy. Weber believed that "The purest type of exercise is that which employs a bureaucratic administrative staff" (Weber 1978:220). Their power is entirely predicated on the laws and rules of the system and have no patrimonial relationship with their employers. The employment criteria for these bureaucrats are as follows:

(1) They are personally free and subject to authority only with respect to their impersonal official obligations.

(2) They are organized in a clearly defined hierarchy of offices.

(3) Each office has a clearly defined sphere of competence in the legal sense.

(4) The office is filled by a free contractual relationship. Thus, in principle, there is free selection.

(5) Candidates are selected on the basis of technical qualifications. In the most rational case, this is tested by examination or guaranteed by diplomas certifying technical training, or both. They are *appointed*, not elected.

(6) They are remunerated by fixed salaries in money, for the most part with a right to pensions. Only under certain circumstances does the employing authority, especially in private organizations, have a right to terminate the appointment, but the official is always free to resign. The salary scale is graded

according to rank in the hierarchy, but in addition to this criterion, the responsibility of the position and the requirements of the incumbent's social status may be taken into account.

(7) The office is treated as the sole, or at least the primary, occupation of the incumbent.

(8) It constitutes a career. There is a system of "promotion" according to seniority or to achievement or both. Promotion is dependent on the judgement of superiors.

(Weber 1978:220)

Unlike previously more patrimonial systems, which saw institutions including the Bank of England hire staff based on filial relations and common interests (see Chapter Two), in a bureaucracy this is supposed to be done on the rational basis of who is most capable. Hires are based on skill, proven by qualifications, and should not be defined by personal relations. Officers are free to come or leave their roles and have no filial loyalty to their managers. Furthermore, this identity represents their career and *not their identity.* They did not gain their role due to their ethnographic identity nor should they carry it with them into their office. This new system offers a more stable, efficient manner of management compared to older systems as there is no personal investment or relation between management and workers, or staff and their roles. A job is legally defined, with a set pay, which someone who is correctly qualified can choose (or not) to apply for.

Weber believed that bureaucracy was "superior to any other form in precision, in stability, in the stringency of its discipline, and in its reliability." (Weber 1978:220). Yet, he felt that there were two risks associated with this trend as society adapted to the legalistic mode of authority which saw more and more parts bureaucratised. First, he believed that this increasingly limited the scope for human action, as the rules and regulations of society were already predetermining what could or could not be performed. Second, he believed that as bureaucracies grew in power, officials would become a class in their own right, as they developed a shared view of the world and be likely to act on their own interests, possibly at the expense of the public they were supposed to be serving. As much as Weber admires bureaucracy technically, he feared it would slowly crush the life out of society, that under legal rule society "would be administered by an almighty bureaucracy in accordance with a close knit network of laws and regulations of a purely formalistic nature, which would leave little or no space for individually orientated creative action" (Mommsen 1974:82). Even the charismatic leaders who challenged the existing order would, out of necessity, see their values routinized and fitted into a similar format.

These fears have been echoed over time. Bauman, for instance, when describing the horrors of the Holocaust, said that the entire process entailed a "*dehumanization of the object of bureaucratic operation"* (Bauman 1989:87). The calculations which enable the increased efficiency of bureaucracy are fundamental to this, as officers "do not deal with humans, sheep, or barbed wire; they only deal with the cargo, and this means an entity consisting entirely of measurements and devoid of quality" (Bauman 1989:287). Human beings were reduced to numbers on a page, to be dealt with efficiently and with no recognition of their individual natures. The neoliberal critique of bureaucracy, meanwhile, expressed similar fears, as they believed that anything other than the market would "in fact lead down the same 'road to serfdom' to use Hayek's provocative term" (Peck 2010:16). Members of the Mont Pelerin Society often implied that any attempt to control human behaviour would inevitably lead to totalitarianism, though it should be noted this was less a genuine belief than a means of combatting interventionistic policies. As was said of Friedman, "whilst he would *like* to be a zero-government libertarian" his reading of history had taught him that this was "not a feasible social structure…" (Peck 2010:111). Here we see again a central paradox of bureaucracy – the fear of its domination and control yet recognition of its requirement to run society, but also a recognition that we cannot do away with it entirely.

6.3 The Bank of England, Bureaucracy and Ambivalence

A similar structure of ambivalence has pervaded discussions of the Bank of England. On the one hand, the Bank has certainly been rationalised over the last 40 years, in that, as we saw in chapter one, there is a demand for economic expertise and skills that were not always present. On the other hand, the Governor is officially appointed by the Queen, on recommendation by the Prime Minister, hardly suggestive of an exhaustive process. This search for the ideal candidate, unlike other less well-defined roles, demands that applications are limited to a small coterie of like-minded individuals who are felt competent to fit the bill. First, the role is advertised on a government website and inside the Economist, a weekly newspaper that "has long defined itself as the lodestar of liberalism" (Zevin 2019:7). The candidate is required to have good economic knowledge and a proven history in banking, either at a central bank or other secondary financial institution. Potential governors are required to have “an advanced understanding of financial markets and good economic knowledge”, as well as strong communication skills and undisputed integrity” (Milliken 2018). Once candidates have been selected, they go through a seemingly inexhaustible series of interviews, facing civil servants and the Chancellor, before finally being vetted by the House of Commons Treasury Committee (a cross party collection of MPs). Despite this rigorous procedure designed to ensure that “the best candidate for the job” is found and while the role is still limited to a relatively small group of candidates (unlike some other roles)[9], the governorship of the Bank of England is still situated within the realm of ongoing political argument and controversy. Despite bordering on the political, with some actors deemed politically unacceptable (Thatcher wanted to appoint Keith Joseph, one of her favourite economic advisors to the role, but they both accepted that this would have been a step too far), the relatively technical role of Governor of the Bank of England and its fixed term somewhat limits its involvement in the corporate merry-go-round.

Despite sitting outside of the Bank, this hiring process has, so far, not appointed anyone to the role of Governor that has stood at odds with the ethos of the institution. This has been replicated by the hiring policy of the MPC which, despite containing four external members, appointed by the Chancellor, has found few appointments have caused any upset within the committee. A rare example is Danny Blanchflower, one of the few external members to only serve one term on the MPC who felt that he was unliked by the Bank, stating **“**It also didn't seem to help much that I wasn't a macro-economist or from Oxbridge or the Bank's pick. Having written several papers on happiness certainly didn't help either” (Blanchflower 2009). The demands of the roles at the Bank are as such that, for the majority, only certain types of applicants will come forward and make it to the Bank, despite what appears to be a meritocratic and open application process.

The ideology of applicants for roles lower down at the Bank was irrelevant as it has always had a distinctly hierarchical working structure and instructions rolled down from the top leaving little room for “blue-sky” thinking amongst the staff. In the

[9] Tony Hall, for example, has acted as the Director General of the BBC, the Director of the Royal Opera House and chaired the Board of Trustees at the National Gallery. Adam Crozier’s career in advertising did not act as a barrier to becoming the chief executive at both Royal Mail and The Football Association. George Osborne is a close to home example, a man who left the treasury to become Editor of the Evening Standard and currently the Chairman of the British Museum (having discussed other possible roles including Chair of the BBC, Mayor of London, *and* the managing director of the IMF).

1960s it was commented that “only a tiny proportion of the staff - say two dozen or so out of a total banking staff of around 4,000 – had a major decision-making role to play. This meant that the day-to-day work for the overwhelming majority was essentially routine, largely repetitive, and often boring” (Kynaston 2017:555). Much like many office-based roles, the ideology of staff makes little difference to the bread-and-butter work done at their desks. The majority of the staff at the Bank are not required to be fully ideologically onboard to perform their jobs successfully. Roles advertised at the Bank include Analyst and Supervisory roles, that tell applicants that “you will use your analytical skills to deliver assessments and understand any risks these firms might pose. To do this, you’ll interact with firms and build an understanding of how they work. And when things don’t look quite right, you’ll investigate issues and dig deeper” (Bank of England 2022c). The majority of roles appear to involve examining economic data and turning it into something that can be used by the Bank. They are a prime example of the bureaucratic tendency to both limit the range of action of staff, and towards hierarchy.

While staff are limited in what they do on a day-to-day basis, we also find that the Bank itself has seen its role transformed in 1986 due to the liberalisation of the financial industry, colloquially known as the ‘big bang’[10]. After it was accepted that it was impossible to manage capital flows in and out of London and the UK, the markets were opened to foreign investors, but this meant that the Bank would face a loss of close relations with actors in the markets. However, independence and the new remit offered a new lease of life to the Bank as it changed its focus to keeping inflation at or around 2%, and on the decidedly secondary task of supporting the government’s general economic aims. This more precise role is, as Tucker wrote, central to the restructuring of relations between the Bank and government. The design of *any* relationship between government and an agency “separates the settings of *goals* from the control of *instruments*; that is, an IA (independent agency) should have instrumental independence but not goal independence” (Tucker 2018:112). By giving the bank a monitorable objective, such as keeping inflation at 2%, the government maintains a measure of control over the Bank of England, which, as Tucker notes, cannot set “the ability to assert success on the basis of whatever criteria happen to suit them at the time” (Tucker 2018:112). Meanwhile, the Bank has a new specifically designed identity to step up to, which although more precisely defined than previously, gives it a target that had been unspecified before.

[10] See fn1 in chapter five.

It could now act explicitly to achieve these goals, rather than having to act subtly without ever admitting what it was truly trying to do. Despite claiming victory as it gained independence, this process has perfectly reflected the “rolling out” that Peck and Tickell describe of government policy, with close maintenance of relations, but a certain level of distance that provides MPs with plausible deniability.

The Bank of England has seen a tightening of purpose over the last half a century, from the days when Montagu Norman could happily transfer gold reserves to the Nazi regime in Germany (as seen in chapter one). However, tightening of purpose does not mean narrower impact. As Davies has suggested, “what if many of the defining questions of our age are answerable not in the terms of the extent of people encompassed but in terms of the *intensity* with which people are affected?” (Davies 2020:64). Keeping the rate of inflation low benefits some groups to a much greater extent than others, and by focusing purely on the figure of 2% the Bank is unable to accommodate other possible outcomes and practices which could have a greater benefit to the public. However, while the Bank of England’s decisions affect everyone, their only client is the government, and without the threat of elections, the Chancellor is the only person to whom they are directly accountable.

As such, when the financial crisis hit in 2007, the Bank of England’s response would be to focus on what they believed the Chancellor would expect of them. This first major contingency as faced by the independent Bank provided an opportunity for it to prove it deserved the trust it had been handed. In Crashed Adam Tooze has the following explanation from BNP Paribas of the cause of the beginning of the crisis. “The complete evaporation of liquidity in certain markets of the U.S. securitisation market made it impossible to value certain assets fairly regardless of their quality of credit rating” Tooze continues “Without valuation the assets could not be used as collateral. Without collateral there was no funding. And if there was no funding all the banks were in trouble, no matter how large their exposure was to real estate” (Tooze 2018:144). As the banks clammed up, they no longer made funds available for interbank lending or investment in the economy. With this, the global economy plunged into a recession that was not only the worst seen for almost 100 years but still faced worse to come (Thornton 2009). The Bank of England’s response was immediate, using the two monetarist tools available to them. First, they dropped the base rate (this is the rate that they lend to financial institutions, with the assumption that the banks will lend more to customers at a cheaper rate, reintroducing demand into the economy). However, as rates were already relatively low, secondly, they also resorted to what they described as the unconventional method of Quantitative

Easing. The following description is taken from the Bank of England website explaining how QE works, or should work:

> We buy UK government or corporate bonds from other financial companies and pension funds. When we do this, the price of these bonds tend to increase which means that the bond yield, or ‘interest rate’ that holders of these bonds get, goes down. The lower interest rate on UK government and corporate bonds then feeds through to lower interest rates on loans for households and businesses. That helps to boost spending in the economy and keep inflation at target.
>
> QE also affects the prices of other assets like shares and property.
>
> Here’s an example. Say we buy £1 million of government bonds from a pension fund. In place of those bonds, the pension fund now has £1 million in cash. Rather than hold on to that cash, it will normally invest it in other financial assets, such as shares, that give it a higher return. In turn, that tends to push up on the value of shares, making households and businesses holding those shares wealthier. That makes them likely to spend more, boosting economic activity
>
> (Bank of England What is Quantitative Easing 2022b)

The Bank has, as of November 2020, spent £895 billion on QE and claims that “Without the Bank’s asset purchases, most people in the United Kingdom would have been worse off. Economic growth would have been lower. Unemployment would have been higher. Many more companies would have gone out of business. This would have had a significant detrimental impact on savers and pensioners along with every other group in our society” (Bank of England 2012).

This statement by the Bank of England encapsulates its ambivalent position, insofar as it intervened decisively but in the most general way possible, such that the success or failure of the QE policy still depended on the actions of banks and others beyond their immediate influence. Recalling that The Bank’s remit is to help *everyone* in the economy and to provide stability, the Bank’s internal reports have shown that QE failed to do so. The same bank report which had reflected on the success of QE, also found that “asset purchases have boosted the value of households’ financial wealth held outside pension funds, but holdings are heavily skewed with the top 5% of households holding 40% of these assets” (Bank of England 2012). These policies have not benefited the country as a whole but rather manufactured “a huge transfer of wealth from the majority of society to those at the top” (Sayer 2015:230). As the rich were already the owners of a high proportion of assets, QE merely increased their worth and did little to help circulate money throughout the economy.

This would not be an issue if the banks – using their mountains of reserves which QE had both protected and helped to generate – had provided loans to the wider public. Yet again, a Bank of England report showed that this had not happened, concluding that “If the policy objective is to provide an additional boost to the economy through supporting bank lending in a time of stress and uncertainty, it might be valuable to consider using alternative credit easing tools” (Giansante et al 2020). An alternative option could have been a “QE for the people”, which financial commentator Frances Coppola believed “would be a short-term monetary boost to kick start the economic growth by giving people more spending money” (Coppola 2019:58). If this option was ignored during the financial crisis, it has seen a limited implementation in 2020 as part of the Chancellor’s “eat out to help out” scheme which offered up to 50% discounts for customers dining out - but did include an extra £100 billion worth of QE, despite the Banks own reports showing its lack of success.

This discussion reflects that there is still some tension regarding the decisions made within the Bank of England regarding the British economy. The Bank has seen its role in the polity gradually redefined over 30 years, and now faces the public and the financial industry in a very different way than it had previously with the clubby, back room proclivities of the top staff being transformed into a more rationalistic setting with a fixed remit. QE was performed through a mechanical method, propping up banks regardless of their financial stability, and ignored possible alternatives to starting the economy, such as a ‘peoples QE’. There is a fixed belief that the financial markets are the best way to deliver economic change, possibly explaining the Bank’s lack of interest in the *actualities* of the situation.

6.4 Men, not numbers

The aim of this chapter was to discuss the idea that bureaucrats were gaining excessive power, with the threat that they simply process whatever is in front of them thoughtlessly, reducing individuals to “mere” numbers in the name of efficiency and rationality, is to miss something about bureaucracy, what Du Gay has called ‘the values of bureaucracy’ (du Gay, 2000) Becoming a bureaucrat is not the same as becoming an accountant who pushes figures around on a spreadsheet all day; it rather involves having or acquiring certain values which cannot be removed via a process of rationalisation.

Du Gay finds this positive view of the bureaucrat, and the bureaucrat's sense of vocation, in the work of Max Weber. Certainly, it is a view that contrasts with that of his brother, Alfred. The latter, for instance, writing of the judge, rationalisation universally triumphant. In principle, he thought, if a judge had personal knowledge of a case that comes up in front of them, they would be in a position to arrive at a just solution; by knowing more details of the offender, they could possibly show lenience that another judge would not be in a position to offer. Under a rationalised system, this contingent local knowledge is ignored, and the criminal is universalised and punished with no reference to their personal circumstances. This is a process that already began with the lower classes (the rationalisation of factories for example) and has spread, he thought, to the judiciary. His romantic summary of this is as follows: “The upper classes' ability to shape themselves through their work and their profession once gave them an importance for the nation as carriers of the culture of the people, but now these elements of independence and free manliness, of autonomous action and uninhibited self-flourishing look set to be wiped out…” (in Harrington 2007:50). Any option to exercise one's ‘judgement’ has been removed, and increasingly the entire population is left to simply apply the rules and regulations of a (legitimate) system.

Now, Du Gay challenges this view of bureaucracy as being “the very antithesis of those posited by (Max) Weber” (du Gay 2000:4), and argues that this understanding, as reflected for instance in Bauman's work, is “abstracted from any particular historico-political context” (du Gay 2000:48). Du Gay continues, “rather than being the technical-administrative handmaiden of Nazism, the German state bureau was itself subjected to continuous assault by the National Socialists in the latter's attempt to realise its promise of a political new order” (du Gay 2000:48). The fact that it was subjected to such assault indicates that it was not simply an instrument that any group can gain control of, which was why the Nazis set up their own parallel structures.

Aside from that dramatic period, the salient point is that bureaucrats may be neutral concerning this or that government, to governments that come and go, but they also carry their own permanent set of *explicit values*. And here there is an interesting tension between the two versions of what those explicit values amount to. On the one hand, the bureaucrat may be wholly committed to a life of public service and to the values he/she believes the state embodies. On the other, they may bring to bear values specific to their own background which they cannot shake off. As Bendix says, a bureaucracy must always involve:

> a) the social and ideological background of a diversity of persons, *which their formal positions within an administrative hierarchy cannot obliterate*;
>
> b) the institutional setting in which the organization must function and its effect on the psychology of internal operation;
>
> c) the historical and psychological context in which the people outside the organization view its activities
>
> (Bendix 1947:494)

One of the tasks of this thesis is to explore these tensions, and to realise that those inside the machinery of bureaucracy still have their own set of values. Although subjugated to machines, those who at least are still in a position to express their values will not only find it hard to dismiss them in the name of efficiency, but also find that they will still inform the actions that they make within structures, regardless of how rationalised they have become. Whilst decisions made at the Bank of England do not have quite the same direct and visceral impact on members of the public as other departments may, a direct cut in benefits could be much harder to process than a change in interest rates when the consequences of such an action can be ameliorated by blaming the failures of the market. There is still some room for manoeuvring within the confines of bureaucracy and if this is so, it is useful to try and model the values of those performing tasks within any given institution if we wish to understand their behaviours.

The officials within a bureaucracy find that the system helps to generate increased efficiency under the auspices of increased rationality. Yet, the implementation of this rationality demands an irrational element of judgement which cannot be removed. “All rules have to be applied to particular cases, and in deciding if a case falls under a rule the official is called upon to make a judgement call” (Albrow 1970:57). The judge hopes to make an impartial decision about the case in front of them, removing both positive and negative biases, however a number of judgements and decisions have been made on the route to this point, but also depends on a fundamentally irrational decision to maintain this legal system over and above any other. Furthermore, the decision-making process of the jury is not necessarily rooted in rationality either, as we saw in chapter three, they are prone to following their own internal logic regarding the application of the law. The jurors are a good example of the application of a rational system but with an awareness of the possible consequences and feelings of their actions.

In a speech at the Cass Business school in 2014, the then Governor of the Bank of England Mark Carney said, "the best answer to the question of what the Bank of England is for is given by the original 1694 founding charter: promoting the good of the people of the United Kingdom" (Carney 2014). Carney's words, which of course make no reference to "the *intensity* with which people are affected" (Davies 2020:64), point nicely to the scope and also the limitation of the Bank's remit. Even with the tightening of their remit, the Bank has continued to seek fulfilment of this founding statement, as we can see when we look at later governors, who have embodied a certain position towards the public.

As noted in chapter one, Montagu Norman was almost obsessively public spirited, and whilst Mark Carney did spend 13 years at Goldman Sachs, before joining the Bank of England he spent four years as Governor of the Bank of Canada. Andrew Bailey has worked at the Bank of England since 1986 and we cannot help but assume a certain sense of public service ethos for these men. We cannot rely on purely contractual arrangements to instil officials with a desire to "promote the good of the people", as Tucker writes, their relationship with the Bank "relies on unelected public policy makers caring about professional, and perhaps broader public, *esteem.* This has to be something valued by them in and of itself, not because they can cash it in for wealth following a successful period in office…" (Tucker 2018:107). While other high ranking public roles have become mere stop-off points for members of the elite, accepting the role of Governor, while still offering high monetary remuneration, carries implications above and beyond career progression and network building.

6.5 The Distorting Effects of the Market

While we accept that those individuals have a genuine desire to improve society, how and why they do this is still up for consideration. By examining the increasing influence that market forces and the economisation of the Bank have had on the decision making of its staff, we can ask whether individual values have been diverted into channels that may not seem apparent when examining them on an individual basis. When looking at the Bank of England, we find that from the beginning of the 1990s, as Mervyn King demanded that the analytical skills of the Bank's staff matched their operational abilities, staff were forced into greater specialisation which helped to limit their worldview and what was, and what wasn't possible. Robin Leigh Pemberton, who was Governor at that time, asserted they still needed generalists, but King countered by stating that “non-economist graduate recruits should be willing to become economists and that that should be made clear to them before recruitment’ (Kynaston 2017:663). Other members of the Bank’s staff also felt that this limited whom they recruited, as Rupert Pennant-Rea wrote in a paper stating that “in our recruitment of graduates we have narrowed the field by concentrating mainly on economists rather than on the full range of university disciplines” (Kynaston 2017:686). The Bank then increasingly hired from a single pool of talent but also ran its ship via a distinctly top heavy management style - one correspondent in an internal staff survey at the Bank of England commented that “The Bank is very hierarchical. People are sometimes inhibited from responding to senior management by a feeling that to do so would be disrespectful” (Kynaston 2017:693). Meanwhile, staff benefits have been reduced over time, and the editor of the internal Bank magazine “The Old Lady” commented that “The leaner, meaner Bank we know today seems somehow to have jettisoned the staff’s goodwill and pride in the establishment, the sense of humour of old has been replaced by cynicism” (Kynaston 2017:685). The Bank was here to run the economy, and that is what it was going to do.

This concentration of knowledge was blamed by Gillian Tett in her work The Silo Effect for making the Bank blind to certain risks that lay outside of the ‘silos’ that had been generated within it. These groups had their own focus and attended to their own particular interests, which they may be extremely good at, but could be easily blindsided by anything that existed outside of their silo. Tett writes that her theory is in stark contrast to how many see the world at the moment. Christine Lagarde, the head of the IMF, commented that “The world has become a hum of interconnected voices and a hive of interlinked lives” ...”[this is a] breakneck pattern of integration and interconnectedness that defines our time” (Tett 2015:15). As the world is claimed to have become smaller and more connected, Tett works to point out that people are increasingly specialized, subdivided and even polarised. Tett’s study found that even staff inside the same organization had trouble transmitting vital information among themselves, leading to poor policy decision-making and catastrophic commercial actions because in a world with an excess of data and information, “humans need to create some structure to handle this complexity” (Tett 2015:17). But as different groups utilise different coping mechanisms for mapping and understanding the world, and become increasingly specialised, they can become blind to the wider picture of which they are a part. Tett accepts that we cannot remove our need for or the usefulness of Silos. The division of labour is, for her, vital as “We need to have specialists in the twenty-first century world to create order in the face of extreme complexity and an ever swelling deluge of data” (Tett 2015:306). And yet, we have to be wary of them as well, as they can blind their members to both risk and opportunity.

These micro-climates of thought can, it is interesting to note, be partly tamed via the use of bureaucratic management styles. Discussing the role of succession in factories, Gouldner notes that when a new manager joined a department, they were able to overcome existing ties and bonds by asserting the power of impersonal bureaucratic rules. Gouldner wrote that a new manager will be “a stranger among strangers, as yet untied by bonds of friendship and informal solidarity with people in his new plant, both his perceptive and executive capacities may be relatively devoid of nonrational considerations” (Gouldner 1952:342). As such the manager will have both a different “frame of reference of the successor and the definitions of his situation to which it disposes and the objective attributes of the factory situation” (Gouldner 1952:342). By sticking to the rules, which the newcomer must, as they do as not yet have the personal relationship the previous manager had, they can mitigate this lack. It will likely come over time, as they come to learn which rules work and which don’t. However, it is interesting to find that *following the rules* can be just as disruptive as breaking them.

Tett discusses the Bank of England directly, raising the lack of preparedness it had in the face of the oncoming financial crisis in 2007. She quotes Charles Goodhart, who stated that “[The credit crisis] isn’t really just a story about the structure of the Bank, or the Federal Reserve, but about the mental map that we used – in academia, in policymaking, everywhere. Ideas matter and economists were using the same idea”. Tett continues: “They were all sitting in the same mental silo” (Tett 2015:134). The Bank, by limiting its hiring practices to economists, and with executive staff educated in similar ways, often at the same university, had accidentally turned itself into one giant silo that was blind to anything other than what it was trained to see, and everyone was trained to see the same thing. The very structure of the institution in its hiring practices had made it distinctly prone to such issues. Yet, as Bendix comments “it would be clearly incompatible with their effective operation, if every official conducted the business assigned to him in accordance with his independent judgment” (Bendix 1947:503). There is a paradox of the demand that everyone within a bureaucracy *only follows direct orders from their superiors* but also needs room to act and think outside of these structures to ensure that their behaviour – ingrained in the office *because it works* – is not, in truth self-defeating. This seemingly implies the ability of the official to stand outside of their own position and judge it accordingly. But, if this were possible, then silos would not exist in the first place.

Rationalisation and bureaucracy are not the enemies of existing structures and informal relations, and can even be generative of non-rational elements. Charrad and Adams find that actually "Standardized rules can accommodate themselves very well with patrimonial practices. Sometimes, they even set the ground for such practices" (Charrad and Adams 2011:10). The new rationalisation of bureaucratic practices does not *replace* existing structures but co-exists in the manner of "complexities, disruptions, inconsistencies, and overlaps" (Charrad and Adams 2011:11). They believe that this is a break from Weber, but this actually maps onto this methodology, as the two systems offer fundamentally different value systems which continue to compete. Bureaucracy is not, and never will be a totalitarian landscape, but only one option amongst many. Furthermore, internally Weber believed that there is no compulsion for them to obey the stipulated rules. Weber is clear on this:

> The difference lies, rather, in the kind of *responsibility* borne by each of them, and this is largely what determines the demands made on their particular abilities. An official who receives an order which, in his view, is wrong can - and should ~ raise objections. If his superior then insists on the instruction it is not merely the duty of the official it is also a point of *honour* for him to carry out that instruction as if it corresponded to his own innermost conviction, thereby demonstrating that his sense of duty to his office overrides his individual wilfulness (Weber 1994:160).If we understand bureaucracy in this light, we find that there is a tension embedded at its heart – between each member's dedication to the values of the state that they are hoping to represent, and the official version of these values.

However, if this is a more accurate representation of the bureaucrat, it offers a different set of problems. Bureaucrats are meant to be working for MPs, on behalf of the general public. Yet we have now seen that they are informed as much by their own interpretation of their roles as much as they are told what their roles imply. Bureaucrats will come face to face with elected leaders attempting to enact policies which are not necessarily bad or wrong, but do not match their worldview of the role they should be playing in society. Ideally, these would collate, but if they don't then what risk do they pose to democracy?

6.6 The Enemy Within?

> Ms Abbot: You are widely perceived to be waging a campaign for independence and I had thought it was moving smoothly like a German panzer division, but I opened up a Sunday newspaper at the weekend and saw "Treasury to veto Bank's independence". What is happening Mr George? What has gone wrong?"
>
> Mr George: I do not think you should believe everything you read in the newspapers, Ms Abbot, if I may say so
>
> (House of Commons Treasury and Civil Service Committee Wed 25th May 1994 - Bank of England Records 16A71/3)

The aim of isolating economic policy from "politics" was viewed by several Chancellors such as Lawson, Lamont, and Brown as being the ideal way to ensure stability. But Thatcher and Major both resisted independence as they believed that it would reduce the accountability of the Bank, as, in Thatcher's words, they "believe that changing well-tried institutional arrangements generally provides solutions to underlying political problems – and control of inflation is ultimately a political problem" (Thatcher 1993:707), whilst Major wrote that he "dismissed the idea [of independence] because I believed the person responsible for monetary policy should be answerable for it in the House of Commons" (Major 1999:153). Passing independence was, it seems, felt by these two Prime Ministers to be a sacrifice of political power to unaccountable civil servants. Furthermore, the Bank *did* want independence and from the time of Nigel Lawson's first floating of the idea, subtly and secretly pushed for it.

Even Nigel Lawson's original plan was drawn up in secrecy, hidden from his party and the Bank of England, and the Bank tried to minimise the appearance of wanting independence. A phone call to Eddie George found that "Sir Terry said that it was now the perception of Number 10 that the Governor was actively campaigning on independence" (Kynaston 2017:676), but Patel argues that "observation of 'dark innuendos from the Bank of England, ever on the look-out for opportunities to develop its campaign for independence from the Treasury' is incongruous. 'There wasn't a great deal of lobbying on the part of the Bank for independence, no banging on the door, no going behind their backs. It was a matter of going with the tide of political opinion which was moving in that direction because of past failures. There was no point in trying to push politicians to make the move if they did not want to do it' (BoE official, 2004) (Patel 2008:34). However, just because they did not publicly push for independence, out fear of a political backlash, does not mean that internally they did not continue to debate the possibility of change. Patel also notes in their conclusion that "CBI was also a topic heartily discussed in the confines of the BoE" (Patel 2008:39). This was not a dead topic.

The resistance from the conservatives meant that with the appearance of "New Labour", "George and his colleagues spotted an opportunity" and invited several Labour grandees to lunch, which led to "a private meeting being set up for the 15th between George, Brown, and Balls" (Kynaston 2017:714). Despite these talks, no policy was made public until after the election, and only a vague pledge to reform the Bank was made. The staff's response to independence is also indicative of their desire: Eddie George and Mervyn King realised "we had been given an opportunity to change monetary policy for the better. We had to grab it with both hands" (Conaghan 2012:27) The loss of other functions (such as gilts and cash management) was not mourned as for George, "control over monetary policy, as the best means of checking inflation and providing stability, had long been the prize" (Kynaston 2017:719). While Tony Blair may have agreed that "the decision-making process at the Bank was definitely of superior objectivity" (Blair 2011:113). With the desire from the Bank and little resistance from the Labour Party, it is perhaps unsurprising that they granted independence so quickly. However, it does seem to echo rather the outplaying of Hugh Dalton during nationalisation when despite winning the battle he continued to have to fight the war as the Bank did little to change itself. Perhaps Blair and Brown's eagerness meant that they were not as objective as they could have been, and ignored other possibilities that did not involve independence.

This is a problem, as Weber believed that there was a fundamental distinction between how politicians and bureaucrats were meant to perform their roles. Despite the increasing sense of legitimacy that it was developing within a legalistic framework, Weber believed the bureaucrat had to ultimately obey the rules that they were given. In contrast, "A political leader who behaved like this would deserve our *contempt"* continuing that if "he is incapable of saying to his master, whether this be a monarch or the *demos,* 'Either you give me this instruction, *or I resign',* he is not a leader but merely what Bismarck called a miserable clinger to office" (Weber 1994:161). The politician's role is to generate difference and change, the bureaucrat to maintain boring, but essential, stability. In contrast, bureaucracy has, in Alfred Weber's words, "grown up over our older large industries like fantastic crystalline forms, creating unified organizations above our older forms like a great mountain range of accumulated mass forces" (Harrington 2007:49). But as Beetham wrote Max Weber did not believe that "The state apparatus was to be viewed simply as a technical instrument, and considered on the same level with others merely as one example of a type of administration increasingly prevalent throughout all spheres of modern life" recognised despite only being an instrument, that "bureaucracy also had an inherent tendency to exceed its instrumental function and to become a separate force in society, capable of influencing the goals and character of that society" (Beetham 1974:64-65). While it was useful and necessary to pass powers to bureaucrats, it is also necessary to be wary of how far you go.

Du Gay writes that the Thatcher Government believed that "bureaucrats were predominantly, if not exclusively, motivated by material self-interest (masquerading as an ethos of public service)" (Du Gay 2000:123) and "this representation of permanent officials as illegitimate participants in the political process led to a number of attempts to constrict their 'official independence'" (Du Gay 2000:123). As mentioned above, civil servants' actions are based on values above and beyond the rationale that bureaucracies are modelled on (being paid a wage, for example) and have a sense of public ethos that drives their work. The head of one service commented that "You know, if you think about somebody who's running a service, if they're doing it properly, a public servant isn't just there because they're there. If I wanted to be like that, I wouldn't come to work in the public sector. I believe I come to do a job that makes a difference in people's lives" (Miller 2005:249). But Miller goes on to find that "council officials seemed to acquiesce quite readily in the idea that a service should be privatised or at least castigated if it genuinely failed the public" (Miller 2005:249). There is a tension here, as civil servants wish to have better jobs and more power to achieve the values which they hold, but at times accepting this can be achieved by other means.

The nationalisation of the Bank of England in 1947 was an attempt by Labour to gain the power they needed to shape society in the way they wanted. Passing back independence appears to be a sacrifice of this power, but perhaps it need not be seen this way if the two groups' values aligned, and Blair and Brown seemingly wanted to lean into the public private relationship greater than seen previously. Two quotations show that this however only generated confusion, as pundits, and even ex-Bank of England staff seem unclear about what this relationship represented.

> Given that the privatised money supply system relies on explicit and implicit public guarantees, Martin Wolf in the UK *Financial Times* argues that the commercial banking system is not in the private sector at all. It is more like an uncontrolled civil service
>
> (Mellor 2016:43)
>
> Why have governments allowed money – a public good – to fall under private control (King 2016:87)

What is hard to accept here is that a *former governor of the Bank of England* Mervyn King is accusing government of failure when his pressure and constant drive to employ more and more economists worked to tilt the Bank much further toward the interest of finance than the public. The fear should not be that bureaucracies have been captured by special interest groups and seen their technical competencies "utilised in the wrong way". Rather it should be fear of which values are at the heart of any given institution or bureaucracy, and what they will do with the power once they have attained it. One way to do this would be to ensure the ethos of the civil servant is instilled in all your public sector workers, at least those at the top of any institutional hierarchy. This is not, however, so easily done.

6.7 What is a civil servant?

The call to instil the values of the civil service into the Bank implies that they must obey the Civil Service Code, which states that

> "As a civil servant, you are appointed on merit on the basis of fair and open competition and are expected to carry out your role with dedication and commitment to the Civil Service and its core values: integrity, honesty, objectivity, and impartiality" (quoted in Foster-Gilbert 2018:53).

Weberian Bureaucracy generates civil servants who can stand up to political pressure from both Westminster and campaign groups. Many of them do face a lot of pressure, and it is interesting to note that it is the undersecretaries, the heads of internal departments within Whitehall, "who [are] an extremely influential figure, often the ultimate target of most pressure group activity within policy areas" (Dowding 1995:28). Most of the pressure is not aimed at top ministers or civil servants who appear to have more power, but rather those at the heart of the issue.

One problem when it comes to discussing civil servants is that it is quite difficult to accurately describe who is one, and who is not. The only legal definition of what a civil servant is was written in 1965, stating that “a person serving in an established capacity in the permanent civil service…and persons ceasing to be civil servants, to persons retiring from being civil servants and to retired civil servants shall be construed accordingly” (Dowding 1995:18). This, however, does little to clarify matters, and implies that the role leaves much to interpretation. Simply being in the pay of the Exchequer does not a civil servant make, as “an employee of British Leyland [a British car manufacturer that was partly nationalised in 1975] probably does not regard himself as a civil servant and is not so regarded by others” (Dowding 1995:19). While all civil servants are public employees, not all public employees are civil servants. Taking this a step further, would someone who worked for the government and found their role transferred to the private sector still carry the civil service ethos with them? Or perhaps this is to over exaggerate the reach of this ethos. The actual work of any bureau involves people getting down to the brass tacks, with little wider focus (as suggested by Tett). All work then, looks similar and would not perceptibly change if publicly owned or in private hands. However, those at the top who are required to make decisions will be much more aware of the demands and expectations that are held regarding them, which will change according to how they are structured and who owns them.

As Weber notes “in the great majority of cases he [the public employee] is only a small cog in a ceaselessly moving mechanism which proscribes him an essentially fixed route of march” (Weber 1978:988). We saw that at the Bank the majority of staff have no control over the direction of the Bank, which is left to only a handful at the top of the hierarchy. It doesn’t matter what someone at this level believes or does, as they rarely have little power over the direction of the work that they are doing. These values are impermanent and open to change, and cannot be used to guarantee the identity of a member of staff at the bottom of the hierarchy. Only those at the top have any control over what they do and the values that are followed.

When we *do* focus on this relatively small elite of civil servants at the top of the hierarchy, Dahlström and Lapuente argue that they are too intertwined with the political to provide a truly independent opinion. “First it is argued that a closed Weberian bureaucracy generates an esprit de corps in the public workforce, achieved through socialisation…The second mechanism would be that bureaucratic closedness gives public employers a longer time horizon through the provision of life tenure" (Dahlström and Lapuente 2017:56). Referring to the example of reforms in the Greek civil service, Dahlström and Lapuente observe that they "have not only not been properly implemented, but also have produced a 'massive return to extensive pre-Weberian patronage and favouritism'" (Dahlström and Lapuente 2017:87). They are quoting the introduction to a special edition of International Journal of Public Sector Management, in which Eduardo Ongaro argues that attempts to introduce "NPM-driven decentralisation of management practices in public employment may produce unexpected consequences" (2008:105) had rather helped to reverse the process that they were trying to produce. They argue that despite all the talk of the esprit de corps of the civil service, it is more easily perceived as a bifurcation. The de jure manner, that which is officially sanctioned, and the de facto way – how things are actually done. We *talk of* the dispassionate civil servant who wants the best for their country, but we *find* something much different.

This could be because it can be difficult to teach or explain what being a civil servant really means. A written code was produced in 2005, and David Normington – a civil servant for 37 years – believed that "It's a remarkable document in my view. *No doubt* many civil servants rarely look at it, but if you want to and need to, it is a very brief, very clear, very compelling statement of what the Civil Service stands for. I think it's better for being written down" (Foster-Gilbert 2018:36). However, there is a tension between the written document and its "spirit". Normington suggests that ultimately it is unnecessary as most civil servants will have internalised this already and any attempt to express it in words, due to the huge variety of behaviours it would have to document, end up being thousands of pages long. This document, rather than creating a guide to all, would only help to "create solid veto points that impede administrative reforms and consequently hinder reform trends"? (Dahlström and Lapuente 2017:88). Much like the process of meetings, any technical documentation will reflect power struggles and certain opinions rather than the indeterminate nature of any given role. And, much like a written constitution, battles will be fought over how it is interpreted rather than a more equanimous relation with one's job. A long, baggy document does leave room for interpretation but also leaves open the possibility of someone demanding it be followed to the letter, generating a single shared identity that Weber feared. It could be part of the process that enforced a single worldview and limited the introduction of external concepts.

How does all this relate to the Bank of England? First, even though it was nationalised in 1946, this did not necessarily generate the ethos of being civil servants within the Bank. While the majority were mere cogs in the machine, the few that did make the decisions continued to act as they had before, resisting the idea that or failing to realise that they were now “civil servants”. Furthermore, this “ethos” is almost impossible to teach as it is a value, rather than a form of knowledge. However, does this mean that the civil service is necessarily irreformable? The British system is 150 years old, which has given it plenty of time to instil values into the psyche of its staff, and the systems develop to instil them into new staff. The Northcote-Trevelyan report of 1854 set out a number of foundational values of the civil service, and approved of “the idea of training young men rather than taking men of mature age who have already acquired experience in other walks of life” (Dowding 1995:10). This has fallen out of favour under the auspices of governments as they look for skills across the public and private sectors. But taking staff from other major financial institutions will help to transfer in values that they carried as well. In the same way that inserting meetings into the Bank of England did not immediately create a democracy, and nationalising it did not turn it into a branch of civil service overnight, we see that it takes time to change values and beliefs. Despite the Northcote-Trevelyan report’s “terseness and precision”, “Its recommendations were not accepted immediately and many of its aims were not accomplished for more than fifty years” (Dowding 1995:10).

The incommensurability of values makes it hard for an individual to change their values as the institution they are in changes around them. However, the Bank wanted independence, and this has only helped to reinforce its distance from the public. Change can come, and The British Civil Service has shown itself, in true conservative fashion, capable of ‘permanent revolution’. In their paper on the civil services decline and modernisation, Pyper and Burnham conclude that “The record shows a progressive but often delayed adoption of reforms that help the service match up to ‘modern needs and views’ as defined by government and parliament” (Pyper and Burnham 2011:202). However, change can risk losing the values that are at the core of the system as well. One unintentional consequence has been the collapse of the hierarchical system, and the minimising of ministerial accountability, which Margaret Thatcher and John Major both feared would occur by passing independence to the Bank of England. A loss of responsibility for monetary policy would come about as it would no longer face the same levels of scrutiny in Parliament as it did when under the control of the chancellor

6.8 Ministerial Responsibility

Proponents of independence claimed that quite the opposite would happen A report by CEPR (the Centre for Economic Policy Research) argued that "At present democratic accountability for monetary policy is weak. There are no *ex ante* standards against which to evaluate conduct" (Roll et al 1993:xii). They believed that granting independence would generate greater accountability as there would be targets that the Bank could live up to or fail to meet. Crouch tells us that "No practitioners of an important activity can be left to themselves to perform and receive awards for their performance without monitoring of various kinds, whether the market, formal regulation or informal, community-level checks" (Crouch 2016:68). Without these, there is always the risk that it would slide into cosy cliques of colleagues – surely what bureaucracy is supposed to avoid? Pettifor equally demands accountability and transparency as "someone who has worked in African countries where politicians are known to have corruptly diverted public resources, I consider transparent checks and balances on politicians, government officials and central bankers to be vital" (Pettifor 2017:123). The question is then, has independence helped to generate this necessary oversight, or did it as Thatcher and Major fear, minimise or reduce it?

What is certainly true is that since independence, the Governor of the Bank of England has become a much more public figure. Margaret Thatcher barely mentions the Bank in her autobiography, let alone name the Governor, yet since 1997 they have truly entered the public and political consciousness. After the Bank ran models for all outcomes of Brexit, including worst case scenarios, MP Jacob Rees-Mogg felt that this acted as a direct attack on the public choice to leave the EU, stating that the Governor "Mark Carney is one of the enemies of Brexit. He has opposed it consistently" (Stewart 2017). The appointment of Andrew Bailey as governor in 2022 was challenged by campaigner Gina Miller saying that "the Financial Conduct Authority during his time as its chief executive was characterised by a "toxic cocktail of negligence, incompetence, and indifference" (Makortoff 2020). A consequence of independence is that the Bank has a directly measurable remit.

This is due to the agentification of the Bank of England, as most explicitly laid out in Paul Tucker's <u>Unelected Power</u>. Tucker believes that separating government (as the principal) and the Bank of England (as the agent) made the agent's responsibilities clear. As we have seen, the Chancellor sends a yearly letter to the Bank reconfirming their remit, and the Governor has to respond with a letter should inflation ever go above, or below, the rate of 2% set by government. He tells us that central bankers are *not* a priesthood, philosopher kings or even the country's chief economist, but "they head an independent agency operating with powers delegated by the legislation on the initiative or with the agreement of the executive government. They and their vote-carrying colleagues are not elected: they must work within clear democratic constraints and oversight" (Tucker 2018:545). Tucker is making it clear that those at the Bank of England are technical experts who, given a task will perform it to the best of their ability, and are best left to their own accord.

However, this act is predicated on a false dichotomy that pits politicians on one side, and the civil service on the other. This is inaccurate and their relationship is much more interrelated than that. As Du Gay writes, "Agentification involves the delegation of responsibility for management or operational matters to individual chief executives" (Du Gay 2000:130) but does not fundamentally alter relations between the two sectors. "In principle, individual ministers are still responsible for all the activities taking place within their department. Civil servants are still that: servants of ministers and hence without personality in a constitutional sense" (Du Gay 2000:131). The Bank of England and especially the Governor are now identifiable much more like politicians than civil servants, and are given equal opprobrium for their sins. Yet as I noted, the Governor is still directly responsible to the Chancellor, and only does *what is requested of them*. The distance that Tucker has placed the Bank from parliament is not really there. This is not to say that the Bank should not be held to account, rather that, in granting independence lines of accountability have been confused and obfuscated.

In this there lies confusion as to what is government policy and that which is operational. This has no clear defining line as civil servants often help to shape and make policy based on their lived experience of the job. If, as Weber noted, they should never resist enacting a policy, it should rarely occur that a minister tries to force a policy which has been unseen or untested by those who are being asked to perform it. Rather, Newman's research found that policy was avoided, manipulated, and generated from the bottom up as well as just top down. "This is not (just) a case of policy being adapted on the ground, but policy being developed out of practices across multiple sites in a dispersed field of governance" (Newman 2005:205). The Bank of England, so used to having control over its actions, was unlikely to happily direct instruction from the treasury. While this is often hidden, the relationship between Eddie George and Kenneth Clarke showed us that the two did not always agree on the best course of action, and this has not been forced to change even when the relationship has undergone *seemingly* drastic change such as nationalisation and independence. This also means that ending independence would not guarantee reform.

This suggests that we cannot clearly define where policy ends, and operational management picks up but rather that there is a distinct blurring in the middle. A minister could enact a policy and the result could be as predicted, but the chances are that the course will not run smoothly. For a policy to succeed, it must be part of a constant loop of feedback which will help to inform how it is enacted. If policy writing and enactment are placed in a false dichotomy and made distinct from one another, it will only become harder to write new policy that works. It also makes it easier to lay the blame on one side or the other – for badly written policy *or* for failing to enact it properly. The Bank of England is an explicit example of this as it was given operational independence *only to* enact government policy and with no remit beyond this. Interest rates are something that Du Gay would say is "a question only ministers can decide, and it provides them with the considerable scope for cherry-picking what they are prepared to be accountable for, yet at the same time enables them to maintain the overall control they desire" (Du Gay 2000:131). If a policy succeeds, it is thanks to the politician, but failure can be shifted onto those who did not perform it correctly. Yet this is based on a false idea of how policies are generated, which assumes that the distinction between government and civil service puts them in opposition with one another, and unable to act collaboratively.

Conclusion

This chapter has examined the long standing relationship that has stood between bureaucracy and the political. Max Weber gave birth to several opinions on bureaucracy that have slowly been both misinterpreted but also taken as fact. The idea is that they are soulless machines that crunch whatever data is put in front of them with no power beyond this process. However, they are *also* seen as a threat - a fifth column which is constantly seeking to advance its own interests and power. The fact that these two opinions can be held at the same time shows the central paradox of the bureaucrat: they are held both in suspicion yet also as a vital part of modern society that cannot be done without.

These views are both uncharitable interpretations of the bureaucrat. They are not machines which can simply do whatever they are told, but have their own sets of values and beliefs which inform their work. Furthermore, this feeds back into policy decisions, and blurs what has been interpreted as a dichotomy between policy and operation. Despite this, actions like passing operational independence have encouraged this false dichotomy and worked to create the Governor as a public figure who is held responsible for failures of economic policy such as when inflation levels are not kept low demanding a letter to explain why they have “let this happen”. Yet at the same time, if the economy is stable, the Chancellor can claim bragging rights for the success of their policy, ignoring the role its enactment plays in its success.

Bureaucrats have their own set of values, but this should not be surprising to any student of modernity. Rather, it should be expected and dealt with accordingly. They hold values which they wish to see enacted, and any fight for power is not simply a realpolitik fight for power, but a desire to hold the levers of power *in order to* help realise these particular values, and prevent the misuse of these powers in other hands. The Bank of England has maintained its own set of values despite being in permanent touch with government. Neither nationalisation nor independence have worked to affect how it functioned they did little to work on the attitudes and ethos of the staff, something that would take years, but also carry the possibility of never really taking. You cannot necessarily instil these values from the outside by writing a manual. Furthermore, if the bureaucrat and the state are at odds, then how could one possibly hope to persuade the other that change is needed?   As such, the values that staff at the Bank do hold represent where they came from, which is currently the private sector and investment banks. The Bank of England represents a certain way of doing things which parliament can either choose to employ or look elsewhere. What they cannot do is simply re-orientate it and hope that it will perform differently.

Chapter Seven: Central Bank Independence, Sovereignty and Populism

The last couple of chapters have been spent investigating the role that the Bank has performed in the polity, and how it acts to legitimise itself and government while at the same time fearing that the Bank is either gaining too much power and preventing government from acting as it wished. In this chapter I will discuss the notion that sovereignty has been somehow sacrificed in the passing of operational independence to the Bank of England, an essential tool of governance from the Treasury to Threadneedle Street. Yet in the time since, the Bank has found itself involved in several actions which are not to be found in the Banking Act of 1998. The most prominent of these has been the use of QE (quantitative easing) [11] to help stabilise the financial system in the aftermath of the financial crisis in 2007-2008 so that banks would start lending to each other again, and the furlough scheme which was introduced amongst several other policies in March 2020 in response to the COVID crisis, and involved employees being paid at 80% of their normal wages while remaining absent from work. Equally, as 2022 proceeded, and the Bank sought to cope with the surge in inflation, it was accused of going beyond its remit as the governor, Andrew Bailey, called for wage restraint from the public. None of these actions seems entirely consistent with the original design behind independence.

QE was first implemented as a response to the financial crisis, and was driven by the Labour Government under Gordon Brown, by now prime minister, and involved huge sums of public borrowing to shore up the finances of major financial institutions.   In response to this borrowing, the Conservative government which replaced them in 2010 chose to impose strict fiscal targets on their spending. In 2010 George Osborne (Chancellor 2010-2016) announced an ‘unavoidable’ budget that “imposed austerity measures on every family in Britain after announcing a £40bn package of emergency tax increases, welfare cuts and Whitehall spending restraint designed to slash the budget deficit by the end of the parliament.” (Elliot and Wintour 2010). This was in parallel to the £445bn that the Bank had found for the QE scheme. This borrowing has faced further criticism, as “Rishi Sunak has been accused of wasting £11bn of taxpayers’ money by paying too much in interest servicing the government’s debt” (Guardian 2022), which refers specifically to

[11] See the summary of Quantitative Easing on page 10.

interest generated by QE, as politicians continue to call for limitations on public spending.

This chapter examines whether the move to independence has altered the Bank's relationship with Government in significant ways. More than that, it asks whether we should rethink what we mean by sovereignty. Has the Bank, with the passing of independence, become an additional independent feature of the British polity, in a similar way to, for example, the judicial system? Does the Bank now make *its own decisions* in response to world events, making parallel decisions to government?

Both Margaret Thatcher (PM from 1979-90) and John Major (PM 1990-97) felt that whoever set the interest rate should be accountable to parliament, and the question then is, does Bank of England independence remove this accountability, or is it the case that, while some financial decision making takes place further away institutionally from parliament, parliament remains sovereign? In the last chapter, I suggested that the increased role of the Governor of the Bank of England was still rather murky, enabling the Chancellor to choose when to take credit for the positives, and when to blame the Bank for the failures of policy. If sovereignty no longer lies with parliament, then the range of policies for which the Chancellor could claim credit or apportion blame would be reduced. Does this reflect a situation that Vogl described when he said that monetary responsibilities "received an incommensurable and unique position within the system of governance; financial matters are dignified as an autonomous political and legal realm" (Vogl 2017:121)? Some go further than this, suggesting that independence helped to generate a sense that financial matters *outweigh* the interests of the general population. "This is", Davies argues, "not sovereign power deployed vicariously, but sovereignty displaced to monetary institutions" (Davies 2021:106). This is a strong claim, not least because in Bagehot's terms it would amount to something more than this, namely a situation where there was no sovereignty at all, sovereignty being "…not a matter of degree…it is categorically either/or" (Jackson 2007:16). So, are we dealing with here displacement/transfer of sovereignty, subcontracting, or removal?

There is another sense of sovereignty, however, that we need to consider namely that which goes under the heading of the sovereignty of the people. Although in the UK constitutionally there is no sovereignty of the people - the sovereign is the monarch in parliament - in so far as democracy is defined as the rule of the people, there is always a question about the proper relationship between government, parliament and 'the people'. As the public become increasingly aware of the Bank of England within the polity, its actions may demand more public scrutiny. In September 2021 a poll found that 59% of the public viewed the recent furlough scheme as a success (Smith 2021), yet historically, polling the public on their responses to the activities of the Bank of England would have made little sense. The question is whether the Bank now needs to be *subject* to such questioning, or indeed to the attentions of political activists. Prominent among the latter are those of a populist bent, who accuse institutions of shady meetings that rather than benefitting 'the people' only work to further benefit the elite classes of which they are all members. Populist movements are growing in size, and are increasingly criticising established institutions, especially financial institutions.

Thatcher and Major both believed that the actors responsible for rate setting should remain directly accountable to parliament. Following independence, the question is now whether this accountability has been replaced by something less focused.

7.1 Rex est imperator in regno suo

According to one historian, sovereignty was "a historical innovation of certain European political and religious actors who were seeking to escape from their subjection to the papal and imperial authorities of medieval Europe" (Jackson 2007:6). Ever since, it has been the subject of numerous debates regarding relations within and between states, as government deals with the people inside its borders, and other powers outside of them. A sovereign government must give mutual recognition to both its own populace and other states as being sovereigns in their own right. This was written into global law in 1946 in the U.N. Charter, with article two stating that "1. The Organization is based on the principle of the sovereign equality of all its Members" (U.N. n.d.). The fundamental concept is that internally the sovereign is supreme, while externally each state is one amongst equals.

Sovereignty is, however, constructed and understood differently by different theorists. Bodin and Hobbes produced fundamental works on the theory of sovereignty, and how it was constructed. Bodin argues that the sovereign's power is complete. If the sovereign is restrained by any man made obstacle, *including laws that they have themselves put in place*, then they are not truly sovereign: "The Prince is not subject to any of his own laws or to the laws of his predecessors" (Bodin 1992:14). Should an heir find themselves unable to act due to restrictions laid down by their father's laws, then this would mean that they were not truly sovereign. In Bodin's terms, sovereignty then has a distinct sense of arbitrariness. The sovereign can act *however they so wish* with no power able to limit them.

A true sovereign can tear up the rules *as they see fit.* When discussing the biblical story of Daniel who was thrown to the lions, Bodin notes that the prince wishes that he could prevent it but cannot. "If then" says Bodin, "the greatest monarch on earth could not abrogate the edicts that he had made, our positions on sovereign power are unfounded" (Bodin 1992:27). A sovereign tied to its past is not sovereign. If an actor arrives at power by claiming they will continue to act in the same manner as their forebears, then they do not have sovereign power. The laws of monarchs and governments *are never permanent,* and to attach oneself to such a power means to limit oneself – the exact opposite of what sovereign power means – from being able to have the ultimate/final say. Man-made laws always face the possibility of being overturned, however long they have been in place, and however well regarded they may be.

Clearly, while this may have been a reasonable picture of absolute monarchy, a sovereign parliament, it may be said, has to act within the structure of the law. If they dislike a current law, then it must be repealed and until that point, continually followed. There are processes which must be followed whenever this occurs. So, while parliament cannot strictly bind itself or its successors, as no law passed by one government must necessarily be followed by the next, they are expected to follow until they can offer an alternative. Unlike Bodin's sovereignty, that of parliament is not arbitrary.

Still, Bodin's formulation is at least suggestive when we consider the Bank of England and its changing status and position in the polity. Over 300 years there have been long periods in which its relationship with government was considered beyond question, punctuated by seemingly sharp changes. A private bank subject to the conditions of royal charters until 1946, then a nationalised institution integrated into government until 1997, and since then independent. Each decision to change the status of the bank could be said to have been, albeit not in Bodin's terms, a sovereign decision.

The last of these led Davies to talk of a displacement of sovereignty, in so far as, after the Bank of England was made independent in 1997, it has come to be seen as a separate entity with its own decision-making powers. At the same time, however, it is impossible to *guarantee* its independence, insofar as there is always the *possibility* that it could be overturned.

> For with their high clear song the Sirens bewitch him, as they sit there in a meadow piled high with the mouldering skeletons of men, whose withered skin still hangs upon their bones. Drive your ship past the spot and prevent any of your crew from hearing, soften some beeswax and plug their ears with it. But if you wish to listen to it yourself, make them bind you hand and foot on board and place you upright by the housing of the mast. This will allow you to listen with enjoyment to the Siren's voices. But if you beg and command your men to release you, they must add to the bonds that already hold you fast
>
> (Homer 1946:158)

Odysseus is given this advice by Circe so that he may listen to the song of the Sirens but not swim to his death. His crew, on the other hand, have their ears blocked, and act as a *further barrier* to changing direction and sinking at the hands of the sirens (or, for the metaphor, inflation). Thus, Odysseus and Parliament are prevented from death, but this is only temporary – at some point their ears will be unblocked and other fresh dangers will approach. Neither can ever truly hand power over. The Bank of England is acting upon the remit of the Chancellor and government, its independence is dependent on fulfilling that remit which explicitly states that it will manage inflation and "support the economic policy of Her Majesty's Government" (Bailey 2021). There is actually a continuity here with clause 4 of the unrepealed Bank of England Act of 1946, which stated that "The Treasury may from time to time give such directions to the Bank as, after consultation with the Governor of the Bank, they think necessary in the public interest" (Bank of England Act 1946). Not only has this not been repealed, the Bank of England 1998 Act reinforced it, as Section 19 suggests: "The Treasury, after consultation with the Governor of the Bank, may by order give the Bank directions with respect to monetary policy if they are satisfied that the directions are required in the public interest and by extreme economic circumstances" (Bank of England Act 1998).

The reference to extreme circumstances, however, is instructive. For instance, during a House of Commons Treasury Committee hearing, entitled "Accountability of the Bank of England" in 2010-2012, Alistair Darling (Chancellor 2007-2010), is quoted as having said that

> My Frustration was that I could not in practice order the Bank to do what I wanted. Only the Bank of England can put the necessary funds into the banking system; indeed, that is one of the core purposes of a central bank. The Bank was independent, and the Governor knew it.

The paper continued to note that while the Chancellor *could* override the Bank of England,

> The Chancellor considered the use of this power to be a "nuclear option", and that:
>
> 'My judgement, but this is only with hindsight, I think overruling the central bank Governor in the middle of a financial crisis would have added to the sense of chaos rather than diminished the sense of chaos'
>
> (Accountability of the Bank of England Twenty-first Report of Session 2010-2010)

This may well have been the opinion of Alistair Darling while he was sat in the Chancellor's office. The *belief* that the Bank was independent and not open to political manipulation needed to be strong otherwise the *actual* legality of the situation would reveal that the Chancellor had much more power than he was allowing himself. Indeed, his replacement George Osborne (2010-2016) wrote to the Bank in 2011 to amend the objectives which the Bank was aiming for, establishing that price stability would be measured over a period of 2-3 years going forward (Osborne 2011). There has never been a total block on the Chancellor commanding the Bank of England, much as Ulysses commanded his men while always *being able to unbind himself.* Bodin says that the sovereign can have as many advisors around them as they wish, but that "the king is in no way bound to follow their advice or to grant their requests, which is the rule for all true monarchies, for they have absolute power" (Bodin 1992:10). The MPC was originally going to have a purely advisory role, but in the end operational independence was granted, so the analogy is no longer direct. However, the ruminations of the MPC are never truly binding and can be overturned if parliament so desires.

In the time immediately after independence was granted, the Conservative party refused to rule out reversing the decision, and opposed it for several years. If independence has become more solidified since, in his first speech as shadow Chancellor, made at the Labour Party Conference in 2015, John McDonnell stated that while he would be setting up a review of the Bank of England, and examining its remit, he still stated "Let me be clear that we will guarantee the independence of the Bank of England" (Watt 2015). This was perhaps a surprising move, as journalists told us, repeatedly, that only 3 years previously McDonnell had stated his desire to end the Bank's independence (Spence 2015, Conway 2015), even echoing the language of populism by stating that he "wanted democratic control re-asserted over interest rate setting, the implication being that previous monetary policy had been subservient to the interest of banks" (Yates 2015). The fact is that even though McDonnell walked back his criticism of the Bank rather, and journalists reacted with some shock at the idea, it was still *entirely possible* for him to reverse independence regardless of the opinion of the press. So, in a way, the fact that there is a public discussion of the inviolability of the Bank of England's independence is merely a reminder that parliament has the power to remove it, and a reminder too of a more profound truth, that sovereignty may consist in the power to *leave things as they are.*

Despite the intrinsic sovereign nature of parliament, political history has seen MPs washing their hands of several political decisions. If they are unable to truly pass power elsewhere, then what benefit has this bought to the polity?

7.2 The Division of Sovereignty and the Value of Independence

Both Bodin and Bagehot believed that sovereignty could not be divided. Writing in 1867 Walter Bagehot said that "The splitting of sovereignty into many parts amounts to there being no sovereign" (Bagehot 2001:160). At the time he was comparing American politics unfavourably with the English, as he believed that Hobbes had shown us that "everybody now understands that there must be a supreme authority, a conclusive power in every state on every point somewhere" (Bagehot 2001:155). The Americans, he believed, were having trouble dealing with the issue of slavery due to the multitude of voices and powers that were involved that could not resolve the issue one way or another. By contrast, English sovereignty was not split, lying in and only in parliament.

Whatever was true in Bagehot's day, it may be suggested that the increasing complexity of politics since then has led to the need to, shall we say, *subcontract* sovereign power. This outsourcing of power can help to overcome some intrinsic problems that democratic governments face.

These include the concept of time inconsistency, an issue that is generally discussed by behavioural economists. Yes, parliament is sovereign and can untie itself from the binds of CBI at any time, but the knot, by which it is tied, is tight, and to undo it would take time and effort. Considering this, CBI helps manage expectations of how government will act in the long-term. Time inconsistency "occurs when the best policy planned for some future period is no longer the best when that period arrives" (Elster 2000:24). Politicians and the public are accused of habitually prioritising the present over any other time. The needs of the now outweigh any decision previously made and are unlikely to align, at least in the fast moving world of politics, to a future date. Cukierman (who, as noted elsewhere, called CBI a 'free lunch') wrote on this specifically about central banks, and Elster leans on this definition, continuing to define time-inconsistency as follows:

> Perhaps the central intuition behind this view is that individuals have a strong preference for the present compared to all future dates, but are much less concerned with the relative importance of future dates. If they received a big sum of money today, for instance, they may decide to spend over half of it immediately and allocate the rest evenly over their lifetime
>
> (Elster 2000:25).

Elster later writes that "The creation of independent central banks illustrates the idea of the separation of powers as a precommitment device to overcome time-inconsistency [caused by strategic interaction]" (Elster 2000:153). While a politician may claim commitment to low inflation, there is always the possibility and fear that they may abandon this in the future as other potentially more vote grabbing actions become available. However, if they delegate this decision-making to an independent central bank whose sole aim is to manage inflation, then this attraction will be limited. Even though everyone accepts that Government *could still change the interest rates if they chose* – either by overriding the Bank of England or ending its independence - it is also accepted that distancing itself in the first place implies a certain attitude towards the economy. By taking actual measures, claims that managing inflation is central to government policy are not seen as simply hyperbole, but genuinely held beliefs. While Labour still had their hand on the trigger in the 1970s, no one felt that they could trust them not to raise rates at some point.

The creation of an independent central bank however only focuses on one particular area of policy in which time inconsistency is a problem. Indeed, by tying their hands in one way, parliament may find itself less able to address other long term issues such as global warming. What it does do is illustrate how government can limit their own ability to act. It forms part of a long history of government limiting itself, but only when it was beneficial for them to do so. As Bodin noted, historically "In Athens there was a people's action against infringement of the laws that could be brought against anyone who tried to get the people to pass an edict contrary to the laws already received…But that has never prevented good and advantageous new laws from being preferred over old, unjust ones" (Bodin 1992:29). These self-imposed limits were treated *as if* they were unbreakable, up until the point when it was pragmatic to stop thinking so. There has long been a demand for the limitation of government action, and governments often partake in such self-restrictive behaviour for their own benefit. However, there is always the knowledge that any rule which did act to limit the state's actions could be overturned if and when it was necessary.

Take the gold standard, for instance. This had acted as a precommitment device for central banks. The "Palmer Rule", as developed by John Horsley Palmer, who acted as both deputy governor and become governor in 1830, was "essentially, a currency principle by which the Bank's deposits and note circulation would fluctuate in relation to its holding of specie[12]" (Kynaston 2017:123). Yet even Palmer himself stated that this rule was "never intended to apply under any extraordinary events that might arise", adding that 'in such times it would become the duty of the Bank to reduce their securities without delay'" (Kynaston 2017:138). Bretton Woods required countries to guarantee the convertibility of their gold currencies into US dollars. However, America flexed its sovereignty when it chose to terminate the deal in 1971. Nigel Lawson both ran the MTFS (Medium Term Financial Strategy) and tried to tie Sterling to the Deutsch Mark in attempts to tie Britain to certain *political* decisions.

CBI was originally raised by Lawson and arrives then as part of a constant stream of efforts of politicians to tie themselves to the masts of economic policies, but these efforts have all shown themselves to be, ultimately, self-imposed *political* decisions which can be overturned. This is to make no comment on the successes or failures of these policies, simply to state that due to the nature of politics, the demand for change will always come. The MPC was designed as a meeting to try and obtain a measure of legitimacy that meetings may afford, the legitimacy being grounded in discussions that did not reflect partisan political interests. Yet, while the fear that the Bank has become too powerful, with an ability to wield sovereignty independently from government is unfounded, what is true is that the existence of the MPC is in itself *a political decision* which reflects certain political ideas and economic ideologies. The bank may have been left to operate on its own, but this was always done under the auspices of the Treasury. If government ever felt it was no longer needed, there would be no structural reason for them not to return rate setting to the Chancellor, other than the weight of public and expert opinion. Even arch monetarist Milton Friedman was forced to admit that "Even when central banks

[12] - money in the form of coin, not notes.

have supposedly been fully independent, they have exercised their independence only so long as there has been no real conflict between them and the rest of the government" (Friedman 1962:227).

7.3 The Populist Ire

We now turn to another variation on the theme of sovereignty, namely the question of the relationship between the Bank of England and society. Central Banks have increasingly faced critique from populist politicians who believe that they have been captured by elite actors who utilise the banks' power for their own good. The long term stability that independent central banks are claimed to deliver, is seen as antithetical to the interests of "the people". A Financial Times article in 2019 laid out this perceived threat:

> Central bankers are under fire. Donald Trump has branded Federal Reserve chair Jay Powell an "enemy" for running US monetary policy too tight for the president's liking. Some British MPs have attacked the Governor of the Bank of England Mark Carney for perceived opposition to Brexit, while Urjit Patel, the governor of the Reserve Bank of India, resigned last year after clashing with Narendra Modi's government. Matteo Salvini, head of the Italian far-right League, has called for the Bank of Italy to be scrapped completely.
>
> (Financial Times 2019)

This article posits that populist politicians are increasingly attacking central banks, and along with it threatening their independence. Augar makes the claim that "CBI falls as ethnic tension and political risk rise, and CBI rises as government stability, bureaucracy quality and political fragmentation rise (increased fragmentation in parliament being an indication of active multi-party democracy)." (Augar 2018:693). Eichgreen claims that since populism is "a movement with anti-elite, anti-institutional, or nativist and nationalist tendencies", "one can well imagine that the term "elites" might apply to the PhDs, bankers, and business people who sit on central bank boards" (Eichgreen 2022:50). Goodhart and Lasta *chose* to define 'populism' as "involving a major disagreement with the central liberal tenet that allowing the free movement of labour, capital and goods and services between nations would be both generally beneficial and desirable in almost all circumstance" (Goodhart & Lastra 2018:50). The fear is apparently great, as "Scores of commentators, academics, political leaders, policymakers, and citizens are not just concerned, but *horrified.* Populism in this view is an aberration that has no place in liberal democracy and must simply be vanquished" (Protzer & Summerville 2022:2).

If we are to concur with these authors, the implication is that populism is one of the biggest threats to the stability and smooth running of the economy that has been seen for a long time. They are positing that several populist politicians are calling for central banks to alter their ways and be repositioned so that they benefit “the people”, which is the *exact opposite* of the notion of central bank independence which is supposed to be firewalled from such debates. Not only this, but they are arguing that any such move would be a *disaster,* politically and economically as any government intervention in the markets – *any market* – only works to make things worse. Despite increasing levels of inequality and growing tensions, populist policies, they are suggesting, offer solutions that will only cost everyone in the long term. Populists could reclaim the Bank of England and set rates that might offer short term benefits, but this would only help to bring the entire social-political model down in the long run.

These are apocalyptic predictions, especially as in the UK the issue of CBI has barely received any comment in populist circles. UKIP’s 2021 manifesto, for example, merely states that “UKIP will re-name the Bank of England, as its name should more accurately describe its role today” (UKIP 2021). Why is there such a disparity between commentators’ fear of the populist takeover of the Bank of England, and the actual attention which these parties pay it? In the first part of this chapter, I showed that the Bank of England did not represent the displacement of the sovereignty of parliament, as it was still working on behalf of the treasury, and could at any time see its powers restricted. In the second part, I will consider that rather than being displaced, a populist critique of central bank independence may be correct when it claims that it is acting as a barrier to sovereignty. The populist demands that they are able to take swift action in response to the demands of the day – something that central bank independence explicitly denies. We saw Liz Truss complain that the Bank *should have acted sooner* as a response to rising inflation.

The populist critique then suggests that institutions such as the Bank of England act as barriers to sovereignty, that they prevent parliament from acting if and when it needs to, and places options out of the reach of the politician.

7.4 The State of Nature

While the UK still has a monarch, their role is now largely ceremonial and no longer represents the same power that it has done historically. Their status arose from either natural law, or tradition as they were the children of previous monarchs.

However, our modern understanding of sovereignty finds that Parliament is a man-made construct and ""is not a natural person but a complex artificial institution that is defined and structured by the law" (Goldsworthy 2001:14). This leaves us asking two questions, what might have been lost in this transfer of sovereignty from a monarch to the legal construct that we find in modern liberal democracies, but on top of this, asking if sovereignty has always been as such, just never quite as apparent.

If we turn our attention to Thomas Hobbes, we find a focus on sovereign power which was a search for stability. Furthermore, Hobbes believed, unlike Bodin, that this could not be found in nature. He believed that "homo homini lupus" (A man to another man is a wolf), and that if man did not submit to a higher authority, it would leave society in a vicious battle for survival. Hobbes claimed that "if there be no Power erected, or not great enough for our security; every man will, and may lawfully rely on his own strength and art, for caution against all other men" (Hobbes 2017:137). Without a unifying force that overrides internal divisions between men, a permanent feature in Hobbes's state of nature, then states were open to not only attacks from other states, but also internal combustion and civil war. This state of competing values is, despite claims made on behalf of the enlightenment, a continuing fact of human existence and cannot be rationalised away. For Hobbes, each man sacrifices their own personal interests. Hobbes put it "I, authorise and give up my Right of Governing my selfe, to this Man, or to this Assembly of men, on this condition, that thou give up thy right to him, and Authorise all his Actin in like manner" (Hobbes 2017:140). It is a recognition of both the multifaceted nature of human existence, but to make a feature of this in society is unsustainable in the long run and ultimately self-defeating. This is not rule by force, but each citizen must "submit to their decrees, or be left in the condition of warre he was in before; wherein he might without injustice be destroyed by any man whatsoever" (Hobbes 2017:144). This voluntary acceptance of a sharing of the prosperity of society is done so on the recognition that we are each better off when everybody is better off, as the greater the inequality, the more likely those worse off are going to feel increasingly despairing and unrepresented by the sovereign.

Like Bodin and Bagehot above, Hobbes viewed sovereign power as indivisible. "For that there were to erect two Sovereigns, and every man to have his person represented by two Actors, that by opposing one another, must needs divide that Power, which (if men will live in Peace) is indivisible; and thereby reduce the Multitude into the condition of Warre, contrary to the end for which all Sovereignty is instituted" (Hobbes 2017:152). Passing too much power out of the hands of the monarch will simply offer the opportunity for a second power to exist alongside the monarch, removing the stability that they were meant to create in the first place. Once two sovereign powers are making decisions, it seems only a matter of time before their interests will diverge or even clash.

Though valuable, Hobbes's concept of sovereignty does not map on totally to more recent understandings. If sovereignty is whole/complete at all times, does this mean that it is passed on from the monarch to parliament like some kind of baton? Is it true to say that historically, the King or Queen of England had sole and absolute power over the entire country, and this was gifted to parliament on a specific date and time? Ferdinand Mount writes that this is a misrepresentation of the history of sovereignty. When discussing the work of Dicey, whose words have, he says laconically "in some respects become the only written constitution we have" he writes that they are "a ludicrous representation of that dappled world with its ever shifting boundaries of power between King, Parliament, feudal magnates and the Church and also woefully incomplete as a description of post-Reformation England" (Mount 1992:21). Mount equally criticises Bagehot's description of sovereignty from 1867 that can summed up when he said that "The splitting of sovereignty into many parts amounts to there being no sovereign" (Bagehot 2001:160). Yet Mount notes that Queen Victoria's letters reveal that "the monarch had not yet come to accept such a modest view of its powers and duties (that view was not entirely accepted until the reign of George V)" (Mount 1992:44). Here, Mount is showing that transfers of power are never immediate or necessarily total, and certainly not in the period directly after it has been made. While Victoria was still queen, old habits would continue as characters and methods continued. Only after a new monarch had been named could new patterns be drawn. In the same way, the transfer of power from the Treasury to Threadneedle street did not equate to a total change over, but was contingent and unfixed. It did not make the Bank of England sovereign, nor the Treasury without power.

Even if we consider the sovereign power to be absolute, it is not infinite, as I will discuss in the next section.

7.5 The Limits of Sovereignty

"Sovereignty" wrote Jackson "is a foundational idea of politics and law that can only be properly understood as, at one and the same time, both an idea of supreme authority in the state, and the idea of political and legal independence of geographically separate state" (Jackson 2007:x). Yet in the 21st century, sovereignty has been shown to be much more limited, at least at a global level. Attempts by some sovereign rulers to limit the movement of both capital and immigrants have, on the whole, failed. "What appears at first blush the articulation of state sovereignty actually expresses its diminution relative to other global forces – the waning relevance and cohesiveness of the form" (Brown 2010:36). However, maybe it is incorrect to claim that this is what is truly meant by sovereignty. If sovereignty was born out of mutual recognition, then states have never had the sovereign power to control global events. However, the state does have the authority to *react* to these global events, and can pass this power to other institutions such as the Bank of England, which was allowed to react, for example, to the financial crisis despite having no control over it.

We also find the Bank being involved in trying to assist the resolution of internal issues which government was trying to deal with, though found itself to be blamed even when it was not at fault. Margaret Thatcher held the Bank of England responsible for the stagflation which the UK was struck down by in the late 1970s, but according to Kynaston, the Department of Trade and Industry was just if not more culpable, having "during the Barber boom continued to hand out certificates to 'fringe' banks like confetti, even as their lending increased by three or four times as much as the clearers" (Kynaston 2017:499). As we saw, in the 1980s, the government's *own policies* undermined the banks' ability to manage inflation and control the flow of money. Today, money production is in the hands of banks and other financial institutions. The Bank of England's website notes that "Most of the money in the economy is created, not by printing presses at the central bank, but by banks when they provide loans" (Bank of England 2019). Over the history of the Bank, it has rarely been clear where the decisions originated from and who was making them.

So, by their own admission, the Bank of England has been left in control of something (inflation, and the rate of money) that it does not have total control over. If most of the money in circulation is created outside of their remit, then turning the taps on or off will have a large effect on the total supply of money in the economy, which is argued affects the rate of inflation. This leaves the Bank in a rather unclear position as to its role and position within the polity. When the Bank of England began QE in 2009, this was done for and on behalf of a financial industry that had collapsed in on itself in what could be considered an entirely avoidable manner. However, after the financial crisis, the Conservative party claimed that they had to cut back on services for the public in order to run down the public debt that QE had to inflate. However, the Bank of England's response to the COVID pandemic was, to run further QE in order to help fund the furlough scheme, which came in stark contrast to the previous 12 years that had seen government claim that there was "no money" for public spending.

The ways that governments and institutions respond to crises are always in their own hands, and there are no *intrinsic* limits to how they chose to respond. However, they are necessarily tied in by the ideology of the politicians and technicians who are performing these tasks. The Bank could have just as easily performed a "people's QE" in 2009, giving every adult in the UK a lump sum of money that *could have* helped us out of the economic slump, but this was not part of the intellectual armoury of the day. Equally, the financial "Big Bang" in 1987 was *in reaction* to an acceptance that the Bank could no longer control the flow of capital in and out of the country. However, it and the government still chose a *particular form of* reaction in the way they responded to these problems: a full liberalisation of markets and financial institutions. This was not the inevitable conclusion to global events, but a contingent political response based on the beliefs of the actors involved.

Equally, the demand for constitutional change often abruptly ends when the reformers enter parliament and gain the power that they were only just previously calling for to be changed. For instance, some in the 1960s thought that "the Prime Ministers' power was 'not inferior to that of a dictator, provided that the House of Commons will stand by him" once in power they found that "the Prime Minister did not always get his way, that, despite Wilson's indefatigable manoeuvres, quite often the Cabinet blocked him; sometimes again, the Civil service acted as a brake on the will of the Labour Party's majority; more often still, events took charge and dictated the development of policy" (Mount 1992:4-5). Sovereignty is found to be neither simple nor complete. In chapter four I discussed the role of legitimacy, and how the Labour government relied on the Bank of England's character to help manage their own reputation, despite now having the majority in parliament and Tony Blair installed as a democratically elected Prime Minister.

This conceptualisation can offer us two ways of generating our understanding of how sovereignty works. First, there is the sense of *decision-making* when the sovereign is able to decide when they will act and when they will *decide* when they will not. There are times when failure to act would be very politically expensive, but a decision still has to be made. This leads to the second conceptualisation – the strength of sovereignty. Blair and Brown had the power to pass independence almost overnight but, in part, because they knew they lacked the power to act regarding other parts of the economy. The Conservative government equally could have ordered the Bank of England to perform a “peoples QE” but the ideology of the party is unlikely ever to have permitted this, which is also what drove Cameron to call the referendum for EU membership. Parliament *is* all powerful, but it is not untamed, and within a democracy must be wielded more carefully than historically a monarch would have cared for.

That such sovereign decisions are therefore restrained by both internal and external factors make it makes it informative to learn the character and background of those that end up wielding it. As decisions are filtered through layers of institutions, such as the Bank of England, it will leave those who wield sovereign power with certain beliefs which will influence how they decide to act. Thus, the Bank of England’s closeness to the financial sector will feed through into policy and help to prioritise it. When decisions are made at the Bank, they are not making them *instead* of government, but on their behalf. Government has chosen certain decisions to be made by certain institutions or people, based on their ideological beliefs and pragmatic restraints. Actors such as these are not acting as barriers to sovereignty, but are generative and reflective of the values which inform the sovereign’s decision-making but are also used to help deliver and enforce these values.   What the state could be accused of now is identifying too closely with the demands of capital, and letting this drive too many of their decisions at the expense of the general public. Mitchell and Fazi approvingly quote the historian Fernand Braudel, saying that “For capitalism to truly flourish…it needed much more than the external support of a night watchmen state. Capitalism only triumphs when it becomes identified with the state, *when it is the state*” (Mitchel and Fazi 2017:100). Yet this statement feels too strong, too deterministic.

Yes, the state is making decisions that benefit capital, but this is because the people who are generative of the state apparatus are ideologically inclined to benefit capital first and above all else. But it still has the entire range of possibilities before it, as QE has shown, where state money has been used to bail out financial actors or fund the furlough scheme, neither of which would be *expected* under capitalism. The populist, however, feels these decisions are being made in smoky backrooms of private members’ clubs, out of the reach of the “sovereign”, who is unable to manoeuvre around them. To understand this thinking, we must discuss the populist mind, and the increase in use, as the Cambridge Dictionary named “populism” its word of the year in 2017, and as “a phenomenon that’s both truly local and truly global, as populations and their leaders across the world wrestle with issues of immigration and trade, resurgent nationalism, and economic discontent” (Quoted in Moffit 2020:1).

7.6 The Populist Century

In the last 15 years, populist movements have sprung up across the entire political spectrum from, say Occupy to the Tea party both of which could be “described as populist to the extent that even a coalition between right-wing and left-wing forces critical of mainstream politics has been suggested” (Müller 2017:9). The question we may ask is whether this in response to the “restructuring the institutional framework of the state, with the aim of placing the commanding heights of economic policy “in the hands of capital, and primarily financial interests” (Mitchell and Fazi 2017:106). Former head of the Fire Brigade Union Paul Embery, a left leaning populist, wrote that the Bank of England must be returned to ‘democratic control’ so that it can “give effect to the government’s wider economic programme for the real economy rather than submit to the demands of a financial sector overly preoccupied with monetary targets” (Embery 2020:152). Though this may be failing to notice that this is *already* part of the Bank of England’s remit. How, we may ask, would things look different were his demands implemented?

As I said earlier, some writers fear the very nature of an independent bank is under threat from populist demands. The populist seeks immediate action in the face of changing circumstances, which is in stark contrast to the nature of CBI which is to act as a precommitment device that maintains a steady course of action *in the face of* the changing political and economic situation. Furthermore, it is meant to prevent abuse by politicians who wish to use the interest rate tool to benefit particular interest groups. Two of the key actors who worked to grant the Bank of England independence fear that populist politicians could remove this self-limiting element of governance, and unspool the economy. Gordon Brown, speaking at a conference marking the 20 years since he made the move, said that “the Bank of England will be vulnerable to populist demands to “take back control” unless elected politicians accept joint responsibility for heading off future financial crises” (Elliot 2017).

What does Brown mean here exactly? Other politicians have recognised that politicians are still due praise or blame for some actions. Gordon Brown’s success in preventing the collapse of the financial sector after the crisis was praised by

Barak Obama: “I was careful to credit everyone who’d played a role, praising Gordon Brown in particular for his leadership and arguing that in this interconnected world, no single nation could go it alone – (Obama 2020:321). But despite this success, Brown and the Labour government were ejected from power at the next election, as the PM and former Chancellor and the Bank of England were held at least in part responsible for what the public perceived to be an inadequate response to the financial crisis. A comparison with Thatcher may be of use here. While she chose to protect the Bank of England from public scrutiny, perhaps with an awareness of the potential damage that this could cause it, Brown placed it right in the line of fire. He may have believed that it would not ever be fired at – he thought that it would spell the end of boom and bust economics – but still, he placed the Bank in front of the Labour party to take flak for any potential failures in the economy. For him now to call for joint responsibility suggests a realisation that the Bank is unable to defend itself, as it lacks democratic legitimacy, and needs the support of the political in order for it to continue to work.

The Bank of England, having long acted in the shadow of Downing Street, has faced an increase in criticism, as central bankers have become not only more prominent public figures, but ones that have been seen travelling in circles of the rich and powerful. They are no longer the elites that are making secret backroom deals out of sight of democratic accountability, but are milling about with the elites at Davos, claiming for it to be *on behalf of* the public. As such it has become easier to associate them with the corrupt elites that populist necessarily direct their ire at. While these meetings *do* benefit everyone as they are able to talk shop and build bridges with other like-minded individuals, it also works to obscure the work they are doing at the same time. As Canovan notes, “There is an inescapable trade-off between transparency to ordinary citizens and properly functioning institutions that allow them access to politics” (Canovan 2002:28). The more these actors work together - as they must - the more distant they appear to the voter. Any association between them immediately takes the risk of being an elitist corruption of the public right to representation. Canovan continues, “Contemplating this dilemma, we can hardly be surprised if voters are periodically attracted by the populist dream of combining transparency and empowerment by entrusting their interests to a personal leader who is directly chosen by the people and who continues to defer to, and consult, them” (Canovan 2008:28).

The Brexit referendum was one occasion in which the idea of direct speech by the public came to the fore. The campaigns were structured along terms of explicitly dichotomous, zero sum lines that saw the denial of the compromise or plurality that are some of the common traits of politics in a liberal democracy. After the result, in November 2016 the Daily Mail even ran the headline “Enemies of the People” (Black 2016) in an article which accused judges of waging a war on democracy, after the high court ruled that Article 16 of the Lisbon Treaty could not be triggered without a vote in parliament. Although it was a less headline-grabbing feature of the referendum and its aftermath, it is noteworthy that following the result, standard Bank of England operations, such as modelling different post-Brexit scenarios, were now being reported as “project fear” and hampering the will of the people (Tapsfield 2019).

Some politicians, such as Michael Gove, also pushed the belief that any criticism of Brexit was part of “project fear” and that the leave vote would allow Britain to regain control over its trade. EU membership he argued, has not benefited us over the last 50 years, but “operates as a supranational regulator limiting Britain’s economic policy autonomy” (Michael Gove – in Wood and Ausserladscheider 2021:1495) and the ability of the UK government to negotiate improved deals with non-EU countries. Dominic Cummings, a former aide to UK Prime Minister Boris Johnson, was on the same page arguing that “a No Deal [exit from the EU] outcome in the negotiations would be a ‘pivot to sovereignty’ allowing the UK government to pursue its vision of an activist state” (Gerbaudo 2021:69). Rather than being forced to operate at a distance, with any number of institutions blocking their way, this new form of “direct politics” was hoped to improve the condition of the common man, rather than to benefit the “financial wizards” who “pig out” and “gorge themselves” with riches, and cut themselves off from their fellow citizens in countless ways” (Rosanvallon 2021:18).

The Bank of England was here tarred with the same brush as the rest of the political elite. While the staff there are no longer the gentrified upper classes of yore, in the last 30 years it has become dominated by economists trained at LSE who all think in broadly similar terms. The “liblabcon-sensus” has been such that the three main parties in the UK “gradually embraced a progressive liberalism that combines neoliberal market fundamentalism with varying degrees of sociocultural individualism” (Pabst 2017:503). This has also meant that there has been little discussion regarding the possibility of changing the relationship with the Bank of England and the self-limiting nature of this. This consensus forces any anti-establishment mood out of Westminster**,** “It is the formless form that social malaise and impulses to protest take on in societies that have been pulverised and reworked by globalisation and total finance…in an era in which there is a lack of voice or organisation" (Revelli 2019:11). But this is in part as the populist believes that the Westminster model *is part of the problem,* and is no longer fit for purpose. In their eyes, there are actions which they believe would benefit society, but politicians are prevented from taking these by "the system". This may be an explicit or implicit denial of autonomy, but either way parliament and the surrounding institutions do not free the politician, but only work to limit what they can do. The Bank of England is an explicit example of this, as Liz Truss believed that the rate of interest needs to be raised, sooner rather than later, but had no control over the speed this is done at.

Yet in the UK such protest has proved politically successful. UKIP pushed for a referendum on Europe, and "It is almost inconceivable that [Cameron] would have conceded to this vote without the presence of UKIP on the populist right, which was a powerful weapon for those within the Conservative Party arguing for a hard Eurosceptic position" (Hayton 2020:283). Populists then, have shown themselves to be a political force, and have had a genuine effect on the polity. Populism can alter the way that the polity thinks about things that have long been held sacrosanct in institutional thought.

7.7 Who, the People?

The concept of popular sovereignty is not, in any sense, new. Rousseau wrote The Social Contract in 1762, which asserted that rulers are granted their powers to legislate by the people. However, unlike Hobbes who suggested that each individual related to the sovereign on a one-to-one basis, Rousseau suggests that this relationship is one of a general will, stating

> Thus by the nature of the pact any act of sovereignty, that is to say any authentic act of general will, obliges or favours all Citizens equally, so that the Sovereign knows only the body of the nation and does not distinguish any one of those who make it up
>
> (Rousseau 67:2012).

Rousseau was, Bourke writes, referring back to the Greek philosophers, such as Aristotle. "'Legitimate government' he believed 'was a system of rule designed to promote the ideal of justice in the polity. That goal could *only be served by catering to the general advantage'" (*italics mine) (Bourke 2016:6).

In these terms, the sovereign is granted power by the people, and they meet the people as a single, harmonious entity. This shared identity has both a similar worldview and an ability to express it to the sovereign whose role it is to enact this. Bourke reinforces this by pointing out that some of the great theorists of sovereignty have made a permanent distinction. "Bodin, Hobbes and Rousseau emphasised, these acts of government were authorised by an underlying power called sovereignty" and that "the authorising sovereignty had to be distinguished from the government agents acting in its name" (Bourke 2016:8). The sovereign acted (in the form of a monarch of a government), but only ever on behalf of those who granted them the power to do so, and should not waiver from this.

This, of course, is a highly contested conceptualisation of sovereign power, but also deeply popular and long-lasting. However, it is also problematic, especially as it faces some unanswered internal contradictions, and has been so for almost as long as the term has been in use. When used as a term against him, King Charles I could retort, correctly perhaps, that "What the word people means is not agreed upon" (Canovan 2010:2). To equate a population as the people means to make a group of individuals identify as a single voice – something that has only become harder over time as individualism has grown in strength and collectivism fallen. Whilst the concept of the sovereign people as an abstract concept or fiction may help us to theorise political agency and autonomy, it also weakens claims of being able to tell government what to do. Alternatively, if you want to make it a concrete practice, this "hugely complicates the tasks of conceptualizing and implementing popular sovereignty" (Canovan 2010:93). However, while this may seem problematic to some, populist leaders have found it less difficult, though only by avoiding some of the more difficult questions surrounding it.

The populist then is able to offer simple answers to what are often complex questions, which technocrats such as those at the Bank of England were trying to answer. Due to the inherent difference of experts, as discussed in chapter four, they appear to be making decisions that cannot be tracked back to the average man on the street. Thus, "Whenever some part of 'the people', or an entire people, *does not feel represented*, it returns to one or another kind of reaction that takes the name populism" (Revelli 2019:3). Political tools such as referendums can, so the arguments go, offer a direct expression of "the people's" view, undistorted and unmediated by the coming and goings of politics which demand negotiation, diplomacy, and discussion. Raised to new heights during the French Revolution when "the referendum procedure appeared to be the most exemplary way for an immediate democracy to function" (Rosanvallon 2021:113), the referendum takes the vote back to "the people" who get to make real political decisions. Rather than voting for two different parties that both offer the same solutions, it offers route one to change.

The populist is, as such, also anti-pluralist, claiming a unique representation of the true will of “the people” and being hostile towards the idea that politics is a game with opponents, winners, and losers, and also compromises. This is why the referendum is a useful tool, as it demands that instead of seeing a potentially complex issue from a variety of points of view, or seeing the merits of more than one side, the voter takes one side. “Populism requires a pars to argument and a claim to exclusive representation, with both understood in moral, as opposed to empirical, sense. There can be no populism, in other words, without someone speaking in the name of the people as a whole” (Müller 2017:20). Those who do not vote with the populist, are seen as either being morally excluded from the “true” population, or as we have seen even “enemies” of the people. This works to reinforce the absolutist nature of populism, whose logic involves a refusal of winners to recognise their opponent’s point of view, or of losers to even recognise when their opponent has won.

Donald Trump can, on this rare occasion, provide us with a useful summary of this attitude, when he said that “the only important thing is the unification of the people – because the other people don’t mean anything” (quoted in Müller 2016:22). At first reading it could seem that this comment makes little sense, however when placed within the context of populism the meaning becomes a lot clearer. The populist idea of “the people” is always substantive, and never simply refers to the whole demos, but involves the idea that the people must meet certain criteria (either generated by the populist leader or more likely piggybacking off existing prejudices). This idea thus lends itself explicitly to the idea of the “enemies of the people” who may be both members of the elite and those who are having the hardest time in society, but who are alleged to benefit from current policy at the expense of those in between who meet the substantive criteria of the people that the populist has lain out.

Of course, society is in reality an “exceedingly complex system of political practices and discourses, institution and ideas” (Canovan 2005:84) which cannot be easily sidestepped. In reality, these institutions work to manufacture both our identity and our relations with them, and direct interaction does not make any clear sense. However, it should be noted that populists can never completely distance themselves from democratic institutions and often do not want to, presenting themselves not as openly antidemocratic and in some cases as true democrats.

“Fascist leaders want to militarize the social body and expunge existing forms of representation altogether. The populist has to necessarily stand outside of the existing political milieu somewhat, else risk being tarred with the same brush that they are tarring the rest of the political class with, but not so far that they sever all connections with those representative institutions. Populisms, in contrast, tend to be parasitic upon liberalism and representative institutions” (Molyneux & Osborne 2017:3). There does exist a tension which Müller lays out, as

> on the one hand, liberals seem to be worried about what they see as increasingly illiberal masses falling prey to populism, nationalism, and even outright xenophobia; theorists of democracy, on the other hand, are concerned about the rise of what they see as “liberal technocracy”—which is to say, “responsible governance” by an elite of experts that is consciously not responsive to the wishes of ordinary citizens
>
> (Müller 2017:7)

While populist criticisms do at times feel accurate, as they point out the hypocrisies of allegedly apolitical institutions actually only work to help the “elite”, their solutions are no better, as they want instead to use them to help a hand picked group that is itself exclusionary.

7.8 Why, the People?

As countries face increasingly regular, serious, and complex crises, the solutions to them need to match this complexity while benefiting all. A central critique of the QE being used to prop up the financial industry was that *public money* was being used to benefit only a small group of people. As mentioned before, even the Bank of England’s own economists accepted that QE had worked to help the richest, but did not continue to note that this was at the expense of some of the poorest members of society. The Elite then are seen as continuously benefiting from how society is arranged, an argument to be found in both left and right populist wings. The Bank of England should, it is argued, be repositioned so that its actions can benefit “the people”. The problem is, however, who are “the people”? The populist does not simply wish to give a voice back to all of those of voting age in a given geographical territory. Rather, “‘the people’ as an entity of group capable of exercising power is/are not readily available. Far from being a given, it/they has/have to be in some way constructed, mobilised, or represented to be in a position to wield power or to be checked in doing so” (Canovan 2005:88). As surveys show a general level of support for the Bank of England, a level of anger needs to be generated in order for the populist to succeed. “appeal to ‘the people’ is accompanied with a perceived crisis in order to generate support (McKibben 2020:5)”.

An article by Funke et al found that “On average, far-right parties have seen an increase in their vote shares of about 30% relative to their pre-crisis level in the five years following a systemic financial crisis” (Funke et al 2016:228) implying that after systemic financial crises, there is likely to be a turn towards right wing parties, which are both populist and authoritarian. “The outcome of Brexit was widely regarded in media coverage as a consequence of the ‘left behind’, or ‘economic-have-nots’, delivering a protest against Westminster” (Norris and Inglehart 2019:377). This entered mainstream political discourse as Theresa May promised to “make Britain a country that works for everyone in the interests of those just about managing rather than the privileged few” (Norris and Inglehart 2017:369). Mitchell and Fazi believe that the left has ignored those with economic grievances and focused too much on identity politics, which has produced this sudden eruption of expression via the Brexit vote, sticking it to the “man” in Westminster. The authors comment that “the embrace of this post-modernist agenda by the 1960s Marxist radicals has meant that the left’s traditional focus on class has been replaced by a diversity of struggles, none of which challenge the basis of capitalism” (Mitchell and Fazi 2017:148). The Bank of England has long been a central pillar of the financial system in the United Kingdom, which has helped to generate both successes and failures. Since independence, this role has come to the fore, yet if Mitchell and Fazi are correct, “the left” has been too distracted to fully appreciate this role, or to take the Bank to task. Their argument is then that populist and far right parties have taken advantage of the anger that has been generated by the Bank’s and other institutions actions, for political gain.

However, Norris and Inglehart have trouble finding evidence that backs claims that the “left behinds” and the disadvantaged are turning to populists and the far right in response to their economic conditions. Looking at the data, the authors found there was little correlation between those considered to be carrying these economic grievances, and increased support for populist parties or politics, finding that “support for Leave was not greatest among the unskilled manual working-class households with the lowest levels of pay, occupational status and job security” (Norris and Inglehart 2017:387). Rather those who *already held populist and authoritarian views* had these reinforced and reaffirmed by right wing candidates. Populist leaders claim to tap into the feeling that the people are being hard done by, but Norris and Inglehart found that younger voters (millennials and generation x) did not have the same populist and authoritarian tendencies *despite having gone through the same financial crises.*

If we trust Norris and Inglehart's findings, they can help us to re-posit our understanding of populism. It is a "thin" ideology that leans on certain tendencies that voters already have, and can be identified by the manner of their behaviour rather than what they believe. As such, "in paradoxically requiring liberal democratic institutions for its sustenance it is less likely to want to suppress them altogether" (Molyneux & Osborne 2017:16). Institutions both help generate thinking and implement it, as we have seen that civil servants add vital experience to the mix, and contradictory ideas that might not otherwise be heard. The Bank of England has long worked to bridge the gap between Westminster and the City of London, a bridge which would be foolish to burn. Even if there was the belief that it was not performing its role properly, this would not be a good reason to abandon it, but simply reconsider what it was doing. While the populist views institutions as working to distort and dilute the expression of the will of the people (or, in more moralistic terminology, corrupt), and rejecting the pluralism of views that comes with having a variety of institutions, they also realise that they cannot function without these interfaces. As I have also shown, institutions have their own thinking and manners of behaviour which are not easily overturned and a politician who wished to completely re-tool one may find it difficult to do so, especially in the short term[13]. The Bank of England and other institutions play a vital role in helping to *generate* political ideology as much as it is affected by it. Unless one scraps it entirely, which would bring its own set of problems, then there will be an inevitable bleeding of ideas from them, which populism will be prone to as they have little ideology of their own.

When Weber venerated the radical nature of the charismatic leader who could upset the existing order, this was in part due to his dislike of the way bureaucracy might slowly take over every aspect of modern life. However, institutions play a vital role in political life, and furthermore, *any politics will eventually settle down and become institutionalised.* Populism especially cannot maintain itself for an extended period: "populisms always have to adapt with regard to accession to office and accommodation with power" (Molyneux & Osborne 2017:13). Populism may produce a break in the normal day to day life of the people or politics, but in the long

[13] Thatcher did manage to mould the Civil Service into something more to her liking, but this was due to holding power for more than 10 years, something populist leaders would often find beyond their political capabilities.

run, as Weber said of charisma, it will be forced to adapt to match institutional thinking. All political parties have to build temporary alliances, with colleagues and with the public, who all work together to achieve a shared common goal, or overcome a problem that they all recognise. The populist leader however uses this as a basis for their identity, and runs out of steam if or when this is achieved. The populist leader does not really act as a funnel for the opinion of the public but works to build a base that supports *what they are already saying.* This is not generative, nor democratic, and as Canovan writes, "even the most charismatic of popular leaders tends to disappoint leaving us with an unsatisfied craving for authentic appearance by that special, redeeming people that is somehow always in reserve" (Canovan 2005:90). The populist *is not a politician* as their role is not to find new ways forward or to help manage society as it, but rather to simplify and reduce those who are involved, the exact opposite of their claim for an increased democratic involvement.

Conclusion

This chapter began with a discussion that examined the idea that in granting operational independence to the Bank of England, the Labour government had transferred power to a group of unelected technocrats and that in doing so it had weakened or even destroyed the sovereignty of parliament. The argument is that the Bank then used this power to benefit itself and other wealthy elites, ahead of its role as a public servant. I argued however that this is an incorrect interpretation of events, surrounding the Bank at least. The Bank of England does have power, but this has always been delegated and has always ultimately been subject to the authority of parliament. Government set the remit to manage inflation and keep it at 2%, and the treasury was required to sign off any quantitative easing that occurred. The Chancellor could always step in and set rates themselves in an "emergency", though if events such as the financial crisis or COVID-19 counted as such, it is hard to imagine what an emergency might look like. This suggests government has, for the most, been *perfectly happy* with the way the Bank has acted in response to the financial crisis and COVID-19, and would not have acted differently even if they had been an internal department of Whitehall.

In the second section, I sketched what a populist critique of the Bank of England may look like, suggesting that it was acting as a barrier to government and parliament from acting as they felt fit. It is true that the Bank has been positioned so as to act as a tool against time-inconsistency, which limits parliament in a sense, and despite the hopes the actions of the Bank would help society as a whole, even their own research has found that it has benefited the rich more often than the majority. For example, their paper on the effects of QE noted that “looser monetary policy also typically pushes up asset prices (sometimes referred to as the ‘wealth effect’), so those households with significant asset holdings will benefit by more than those without” (BOE 2012:7). Those households with more assets, i.e., those that are already well off, thus saw the most benefit from QE. Thus, the populist critique which claims that institutions such as the Bank are acting against the interest of ‘the people’ and only working for certain groups seems somewhat justified.

As there is little *actual* critique of the Bank of England from populists, despite an amount of fear amongst commentators regarding what this may look like, it is useful to consider what this may look like if we are to try and prevent a turn away from liberal democracy. I suggested that populists would lay the blame at the feet of the Bank for the inability of government to act the way it wished, which independence was admittedly intended to do. However, this was a choice of government, which has always been able to redirect at any point if it wished. In actuality, the Bank has performed exactly how governments have wished it to. It has not acted as a barrier to policy, but rather as a conduit for it. Even if these are policies that we may disagree with, we cannot deny that they represent the desire of a sovereign parliament.

Furthermore, the populist solutions to issues such as these are overtly moralistic in tone and often problematic. By demonising bankers and other elites, their policies only work to divide rather than resolve, and the new “people” which they do generate to help are necessarily exclusionary as it is impossible to generate a single-minded nation where everyone agrees. There is a long-standing problem of the need to deal with multiple, conflicting, demands, which should be a central tenant of politics. The Bank of England should have a role in this, and while populism may help us understand this to a greater degree, it does not offer any useful solutions.

Chapter Eight: Conclusion

Until 2022, the Bank of England would not have been a popular topic for a thesis. As the focus of many authors has been on the deleterious effects of the market, little attention has been paid to the institutions which are propping the markets up. The Bank of England is, to be fair, both boring and opaque. However, economic and political events bought Andrew Bailey and the Bank of England very much to the front of many people's mind, including that of Liz Truss, who was appointed leader of the Conservative Party, and thus Prime Minister, in September 2022. Her calls for a re-examination of the Bank's remit surprisingly matched a number of questions that I raised in my thesis. How much control *does* parliament have over the Bank? Does the Bank make better or worse decisions regarding the economy than parliament could?

As I mentioned in the introduction, this is not a history of the Bank of England, of which there are plenty, nor trying to tell the story of independence. Rather, it is trying to examine the Bank from a number of sociological positions in order to get a better understanding of its position within the polity. With little readily applicable theory to use in this matter, I chose to draw on these familiar topics in the hope that they would provide scope for thinking about the Bank, but I have also found that in thinking about the empirical values that the Bank represents I have reconsidered some theoretical positions. For example, Max Weber's work has long been a touchstone for thinking about legitimacy, but the unfolding nature of independence has suggested that questions of success/failure can be germane to the legitimacy of institutions in ways that Weber perhaps played down.

For the first 25 years of its "independence" The Bank of England successfully fulfilled its remit of managing inflation at 2%. It had also weathered one of the worst financial crises the globe had seen since the 1930s, and a global health pandemic in 2020. However, whilst historically the Bank has acted chiefly behind the scenes, independence has functioned to make the Bank a very public figure in economic and political life. As inflation has gradually increased over the last six months, the Bank, which was seemingly given the sole responsibility to keep this at a manageable level, has been thrust into the public imagination, a public which is increasingly being told by politicians *not to trust experts.* Despite the seeming success of the move, and a resistance to succumb to populist politics which discards the role of the Bank as a self-limiting factor, the thesis calls for an examination of how the Bank is run, who by, and the effect that it has had on the political landscape. By coming at the Bank from a number of different angles, I hope to have cast some light on the impenetrable fortress that resides on Threadneedle street and shown that it is made up of people and decisions like any other institution.

The financial system, and the Bank of England which props them all up as the lender of last resort, are central to the neoliberal order in the UK. Without the Bank of England, the consequences of the 2007-2008 financial crisis would have been vastly different, and it is beneficial to consider the mechanics of the processes behind this, and the ideology and beliefs of those who had their hands on the levers of dams that released QE. It questions whether technocratic solutions should be assumed to be the "only" or "correct" answer. My thesis reconsiders the position of the Bank of England and help provide some tools for interpreting and understanding the shifting relationship between the Bank of England, government, and the public.

Dietsch et al find that central banks are deeply unreflective when it comes to their own independence, and state that "out of more than 9,500 research papers produced by central banks, worldwide between 2008 and July 2017, *only five addressed this issue*" (Dietsch, Claveau and Fontan 2018:94). Independence and the ability to set the rates was a prize that was greatly desired by the Bank of England, and they are unlikely to examine this relationship particularly closely, or publish anything that would give cause to re-examine it.

The Bank of England has been viewed as a technocratic institution which dealt with apolitical issues that needed experts to manage. In 1997 the newly elected Labour government handed over the power to set interest rates to the Bank, via the MPC, with the remit to keep inflation at 2%. Perhaps this is amongst the reasons why few eyebrows were raised, as low inflation was seen as a universally acceptable aim, and removal of the ability of MPs to interfere in the process for political gain was viewed as a net positive and not an unnecessary sacrifice of power. For years after the surprise move, there was little resistance to CBI, save residually in the Conservative Party, who eventually accepted it as part of the institutional landscape. Since 1997 the Bank has been forced to deal with a number of severe crises, and seemingly managed them with panache. In 2007 it prevented the meltdown of the financial system, and during the COVID pandemic helped fund the generally well received furlough scheme which genuinely helped to save lives.

The move to independence was argued to be a “free lunch” and almost an inevitability, but it was actually a deeply contingent moment. Both Thatcher and Major had resisted it, fearing that it would reduce the accountability of monetary policy to parliament; the former moreover simply disliked and distrusted the Bank and its staff. Labour, meanwhile, despite winning a large majority in 1997, and having a historic resistance to passing power to civil servants already accused of resisting radical change that the left yearned for, looked to the Bank to shore up the party’s sense of legitimacy in regard to the economy. If we ignore the history of independence, and fail to understand the contingencies of the socio-economic climate that CBI developed in, then we will fail to understand two elements. First, that it could just have easily *not happened.* Had the financial crisis happened 10 years earlier, or the Russian war with Ukraine worked to drive up energy prices before the Bank’s independence was solidified in the political landscape, then matters might look very different now. Instead, the fact that inflation was falling anyway, that other central banks had seemingly succeeded with independence, and the failure of economic policy in the 1970s of both Labour *and* the Bank of England made independence seem inevitable.

A number of authors have worked to map out the ties that bind markets together, and these are not naturally occurring, but require generative human relations to perform and maintain. In the late 1980s America faced a financial meltdown not dissimilar to that of 2017, as Stewart and Hertzberg wrote in 1987, “A month ago today, the New York Stock Exchange died. But within an hour or two, it was raised from the dead” (Stewart and Hertzberg 1987). The stock exchange was rescued by, amongst other things, midnight deals. “One, A.B. Tompane & Co., similarly turned down by Bankers Trust, was hurriedly forced into the arms of well-capitalized Merrill Lynch & Co. The two firms shook hands on the merger at 3 a.m.” (Stewart and Hertzberg 1987). In Unaccountable, Janine Wedel discusses the shadow elite, a sort of high ranking bureaucracy, that is “less stable, less visible, and more global in reach than their powerbroker forebears” (Wedel 2014:64) who would all know each other personally and back each other up, in and out of the financial circles that they acted in. Of course, Mario Draghi was “ready to do whatever it takes to preserve the Euro” (Draghi 2012), while in the aftermath of the financial crisis in Britain,

> Sir Victor Blank, the chairman of Lloyds TSB, revealed that he struck the deal with Gordon Brown at a City drinks party on Monday. The prime minister promised that the deal would not be investigated if the enlarged bank continued

> to provide funds to would-be homeowners. HBOS owns the Halifax and is Britain's biggest mortgage lender"
>
> (Treanor 2008)

We see a constant human element being involved despite being told that things should be left to the "markets", even markets themselves being propped up by human interaction and a level of trust that, ironically, the markets are helping to dissolve. As we saw in the financial crisis, the Bank of England is *the lender of last resort.* It is the institution that props up all the other financial markets, ensures that banks can continue to trade with each other and make sure of all of these institutions' financial stability.

As such, why aren't we spending *more* time looking at the individuals and relationships that make up the "ties that bind" – the mast that Gordon Brown tied the country to in 1997? This thesis has picked up on this lack of research of one of the central institutions of the last 25 years (and one that was at the forefront of many people's criticisms of the economy as inflation soars to a 40 year high). It has used a number of sociological tools to try and make sense of something that is quite difficult to get a hold of, since despite its claims to transparency it has a necessarily opaque façade. I also recognise that even had I been able to access staff within the Bank, this may not have been particularly useful, as the Bank does not seem interested in self-reflection, and the value of the thesis does not lie in examining its day to day activity. This is not an abstract paper on the economics of quantitative easing or the maths behind the Phillips Curve.

When discussing the upper echelons of the Bank, and their personal histories and educations, I argued that the Bank has undergone a deep shift over the last 75 years, from when Montagu Norman was the last true patrician of the Bank. Since then, it has become increasingly focused on the discipline of economics and often from a small subset of economists who were all educated at LSE. While this does not quite match the "flexnet" that Wedel found in Iceland it does reflect an increasing groupthink in how central banks should be run, and who by.

The MPC became increasingly powerful, despite originally being born out of a desire not to pass rate setting from one individual, the Chancellor, to another, the Governor. It was a committee that was born out of discussions with the Labour party and was co-opted by the move to independence to try and give the impression that it was a notionally democratic process. Yet that was not how the Bank was designed nor how it had ever really worked over its long history, and the MPC's voting history found that the majority of the time the decision went in line with the preference of the Governor. Even when the external members, meant to be there to give some oversight of the Bank, were limited in what they could do as “The Bank is accused of “groupthink”, too. Three of the four external members of its monetary policy committee have voted twice for higher rates, only to be thwarted by the Bank’s five insiders” (Davies, H 2022). A meeting in and by itself is not able to generate values which are not already part of an institution. Rather, it must be part of a rebuild from the bottom up, and not simply airlifted in expecting that those who find themselves in these meetings will automatically change their behaviour.

The MPC was never allowed to represent the full range of available opinion, and has always had a clubby feel to it, of people trained at LSE who all believed that they knew the correct way to manage the economy. This “technocracy” is at the centre of the British polity, which warrants a closer examination of the role that experts play inside liberal democracies. Societies which are based on a sense of universalism are faced with an uneven distribution of knowledge and power – and an institutional structure which is designed to create and maintain this. Who should the public listen to when faced with an expert – the Bank of England, or the politician? Thatcher and Major both believed that setting the rate was too important to place in the hands of experts, but the fight between the Governor Eddie George and the Chancellor Kenneth Clarke in the early 1990s reflected a core differentiation between the two camps. The “Ken and Eddie” show was “a source of some vexation to George, and not only because its very existence confirmed that the Bank had not yet achieved independence. Ostensibly the two men got on well, but ultimately the Governor, as a *deeply engaged technician, was frustrated by the politicians almost entire lack of comparable depth”* (Kynaston 2018:711). Should experts then, be allowed to be frustrated by the politicians that represent the general public? CBI did hand the technical aspects of managing inflation to the Bank of England, but two things are to be noted. First, this was always on behalf of government – it was never really “independent” per se. Second, the narrow focus of the remit means that the Bank obsessively focused on the rate of inflation at the cost of looking at the wider picture of the economy. Being too focused meant losing the larger picture and making decisions increasingly unlinked to the rest of society. Furthermore, problems are increasingly “wicked”, suggesting that they have no correct answer which everyone will necessarily agree with, meaning that any technical decision will *always* have a political angle, but we need experts to help us make the best decision we can at any given time.

The changes made at the bank represented somewhat of a rupture from its historical mechanisms. For a long time, it had rested on its tradition, which was reinforced during its 300th anniversary. We saw repeated claims that the Bank knew what it was doing and could be trusted simply because that was how it had always been. Despite a temporary lapse, when Thatcher held the Bank personally accountable for the Barber Boom of the 1970s, it managed to ride through this to still be well regarded enough as an institution to be granted independence in 1997 and viewed as a vital backstop to the Labour party's sense of legitimacy. Yet, in the same way that it was not suited to the democratising elements of meetings, nor can it easily adapt to the new demands of legitimacy that its new remit placed on it. As inflation now soars to a 40 year high, the Bank has no democratic remit to fall back on to pad out its failure to manage the market, and the public have no tools to change the staff or direction of the Bank of England.   The sense of legitimacy which can come from successfully managing the economy had kept the Bank afloat, as had its reaction to the financial crisis and COVID-19. Yet it is not institutionally designed for if – and indeed when – it faces failure, and an increasingly large legitimation gap is growing between itself and the public.

Despite, as Du Gay puts it, "axiomatic" theory that bureaucracy prevents change or utilises it only with its own intentions at heart, I believe that it offers the best chance of running a more accountable Bank of England. I started by asking why the Labour government, which had historically worked towards a more progressive concept of the economy, passed a central tool of power to the Bank – part of the civil service which is often accused of being essentially conservative in nature and preventative of change. Max Weber held that the bureaucracy was almost a fifth column within society, with its own set of values and drives, which *could* stand in opposition to parliament and other representative groups. Yet while it is true that bureaucracies are not simply tools which can be utilised however the bearer feels fit, and do have their own understanding of how society works, this is often in sympathy with democracy and not oppositional. Those at the top of the civil service, who actually help to make and implement policy, rather than simply follow it, have as much of a sense of civic duty as the politician. Entering these roles in the first place implies a certain sense of direction and understanding of the world, which cannot be simply explained away as a desire for power and strength. While the Bank of England *did* push for more power (which they often kept hidden from the public), this was in a belief that they could manage the economy best for all. Thus, it matters *who* we appoint to these institutions – where they come from, where and how they were educated and trained, and what their beliefs are.

Finally, the discussion of sovereignty showed us two things. First, that the Bank of England is not making its own sovereign decisions about the market, but that these are *on behalf* of government who are (or perhaps were) generally happy with the actions that the Bank was taking. If at any time government felt it was moving in the wrong direction, or offering even the threat of an alternative power to Downing Street, they could have pulled the plug on independence either temporarily or permanently, whatever the cries where from economists or other politicians. Despite the factors of globalisation which are reducing the ability of governments to control external factors, the ability to respond is still a sign of sovereign power, and simply placing this power regarding monetary policy in the hands of the Bank of England did not equate to a transferal or loss of sovereignty for parliament. CBI is rather a tool to help try and limit the power of sovereignty, but it ultimately unable to bind itself, as it can always remove the ties if it so chose. The populist critique of central banks is, despite its apparent allure, misplaced and ultimately unhelpful. The claim that the Bank of England as an institution is making decisions for the benefit of the elite is accurate, but its description of institutions as a place where meetings take place to make decisions against the popular will is unfair, and their solution to simply retool them for the benefit of the people is little better. The role of institutions is to manage problems in society by offering solutions to politicians whose role it is to balance out the incommensurable values of the people.

Ultimately, this thesis has argued that the move to pass independence to the Bank of England in 1997 was originally an attempt by the Labour government to settle the nerves of investors who did not trust them to run the economy. It did manage to generate the belief that the Labour government was committed to keeping inflation low, though this paper has suggested that this is only ever a tool of self-commitment, which could be broken at any time (and indeed, has been altered) by political powers. Furthermore, the remit has placed the Bank in a position where its legitimacy is dependent upon its success or failure at maintaining inflation at 2%, something which it has resolutely failed to do in 2022. However, it has no recourse to manage this loss of legitimacy – especially as inflation is in no small part caused by events which are entirely out of the hands of the Bank. As the discrepancy between what it is expected to do and what it can do grows, it will lose its ability to manage any part of the economy as faith in it will be lost. Perhaps this is why it was passed independence in the first place – replacing the mid term financial strategy of the 1980s as something politicians can blame for failures of the economy on, bypassing their own culpability.

The relationship between Eddie George and Ken Clarke oddly offers, I believe, a better form of relationship to have between the Bank of England and the Treasury. George was a technocrat who had a strong grasp of the economics that the Bank was dealing with. However, Clarke was a politician who knew that he did not have to take the word of George when it came to the interest rate, appreciating that it was, ultimately, a political and not technical decision. They had strong arguments about it, but ultimately the decision lay with Clarke, who was then accountable to parliament *and* the public. He was therefore responsible for trying to accommodate multiple points of view into a single decision, and realising that you should not set any decision into stone, as these decisions are always temporary and shifting. Central Bank Independence is now showing itself to have come to the end of its usefulness, reflecting the fact that these are always only semi-permanent decisions, and nothing can or should last for ever. Despite its failings, neither Labour nor the Conservatives seemed to wish to change the Bank's set up. However, four years is a long time in politics, and between 2018 and 2022 - the time it took me to write this thesis - the Bank faced four Prime Ministers, and as such, it could not have been certain of maintaining the same status. The relationship between the two does not represent a transferral of sovereignty, but rather a failure of it as the government has locked into place a policy that while successful for a time is no longer fit for purpose. The Bank has always acted for and on behalf of the Government, and should not receive blame for doing what has been asked of it. Rather, blame should be shifted to government policy, not the tools which it achieves these policies with.

This thesis has argued that independence, then, was ultimately a bad idea despite the successes that it has had since 1997. Regardless of these, CBI does not seem to offer the flexibility of range of ideas that a central bank needs to face the modern economy, despite the proliferation of independent central banks, that has occurred over the last 40 years. As I have discussed in the thesis, as the Bank of England has never been truly "independent" insofar as it has continued to act on and behalf of government, then parliament needs to reconsider how it manages the economy – and admit that it indeed always has done. The Bank of England needs a ground up re-design so that it can inform the Chancellor and not dictate to them. The public need to reposition themselves to the Bank as well, and learn to appreciate that the setting of the interest rate is a political decision and simply passing it to the Bank of

England did not equate to depoliticising the decision by leaving it in the hands of technocrats.

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