

Central banks, unconventional monetary policies and economic development, 1914-2022

by Valerio Cerretano

The course will attempt a thematic and historical investigation of the evolution of central banking and central banks since 1914. After the economic crisis of 2007-9, central banks have rejected the orthodoxy of the 1970s and 1980s to adopt new functions which go under the broad definitions of 'quantitative easing' and 'balance sheet policy'. That orthodoxy took as axiomatic that central banks must be independent from governments, must avoid monetising deficits and must fight inflation. No surprise, then, that rejection has been regarded by many observers as a revolution. Yet, in the long history of central banks, that orthodoxy characterised only a short period while central banks often engaged in unconventional policies aimed at fostering the growth of certain economic sectors through the manipulation of exchange rates, discount rates to commercial banks, credit rationing and even the direct provision of long-term finance to industry. Even the Bank of England, which has often been seen as a role model in central bank's macroeconomic management, followed that pattern. The course will consider the following topics. First, it will look at the monetary policy from 2008 well into the pandemic years; second, it will consider the credit policy of the Banque de France after 1945; third, it will compare the involvement in industry of the Bank of England and the Bank of Italy since 1918. The course will attempt some conclusions about the weight of central banks in the building of nation-states and in their industrialisation.

Reading list:

Valerio Cerretano, 'Deflazione e intervento pubblico nel periodo tra le due guerre mondiali: Gran Bretagna e Italia a confronto' in *Rivista di Storia Economica*, 25(2), 2008), pp.59-101

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Gerald (Gerry) Epstein, 'Financialisation, Rentier Interests and Central Bank Policy', in id., *The political economy of central banking* (Cheltenham and Northampton, MA, 2019), pp. 380-406

G.Epstein, 'Developmental central banking: winning the future by updating a page from the past, *Review of Keynesian economics* 1(3, 2013), 273-87

Olivier Feiertag et Michel Margairaz (eds), *Le banques centrales et l'État-nation* (Paris, 2016), pp. 11-26

Benjamin Friedman, "Monetary Policy since the 2007-9 Financial Crisis." International Encyclopedia of the Social and Behavioral Sciences,

B. Friedman, "The Future of Central Banking." In *The Future of Central Banking* (Frankfurt: European Central Bank, 2018).2nd ed., vol. 15. Oxford: Elsevier, 2015.

F. Friedman, "Monetary Policy After the Crisis: New Challenges and New Opportunities." in Papademos (ed.), *Monetary Policy, Banking Union and Economic Growth: Challenges for Europe in the Wake of the Crisis* (Athens: Bank of Greece and Academy of Athens, 2016).

Eric Monnet, *Controlling credit. Central banking and the Planned Economy in Postwar France, 1948-1973* (Cambridge, 2018)

Emmanuel Mourlon-Druol, 'A new monetary system in a changing polity. Central banks, the EEC and the creation of the European Monetary System' in Feiertag- Mairgairaz (eds), pp. 563-580

Adam Tooze, *Shutdown. How the Covid shook the world economy* (Londra e New York, 2021), Cap.li 7 e 8

Joseph Stiglitz, *The Euro. How a common currency threatens the future of Europe* (New York-London, 2016), Cap.6 (pp.145-173)

