

Unconventional Monetary Policy - Central Banking after the Great Financial Crisis

The Great Financial Crisis has spotlighted the role of central banks in the political maintenance of global economy. After the crash of 2008 the most significant central banks have made new monetary policy measures on an unprecedented scale, e.g. co-operating globally, lowering interest rates to near zero, creating money worth of trillions of dollars and advising governments on fiscal policy. In public debate these policy measures have often been considered *unconventional*. They have been unconventional in at least two ways: institutionally and ideationally.

Institutional unconventionality means that the central banks' new measures have questioned their mandatory framework and boundaries as institutions. Monetary policy measures which aim to maintain the stability of financial markets don't fall within the scope of the strictly limited mandates of pre-crisis central banks, such as promoting price stability or reducing unemployment. Likewise, the instruments used in new refinancing operations do not belong to the central banks' traditional policy arsenals. Traditional mandates are also geographically limited, so the central banks' new forms of international co-operation are also unconventional.

Ideational unconventionality in turn means that the new measures can't be derived from earlier, traditional justification for central banking. The new measures have put into question the existing scientific literature which has highlighted that during the last 30 years the ideological foundations of central banking in the developed countries have become homogenous. Modes of economic thought such as Neoclassical economics, Monetarism and New Keynesian synthesis have affected central banking for focusing on regulation of money supply, interest rates and inflation. In the 2000s research has observed that central banking has become more scientific which means that monetary measures are more often based to economic models and calculations. In this context of homogenous ideas the need for unconventional measures seems unlikely.

The transition described above raises a significant research problem: *why did the central banks of certain developed countries adopt unconventional policy instruments and measures after the Great Financial Crisis of 2008?*

This research question is current and significant at the moment both scientifically and socially. After the crisis the governance of the global economy has become more dependent on monetary policy decisions and innovations made outside democratic political processes. Even though the debate about the causes and consequences of the Great Financial Crisis has been comprehensive, the question of central banks' political weight has remained largely neglected. My doctoral thesis responds to this research challenge by concentrating on the unconventional monetary policies of the United States' Federal Reserve, The European Central Bank, The Bank of England and The Bank of Japan after the Great Financial Crisis.

Targets, data and methods

My doctoral thesis is going to answer the following research questions:

1. What kinds of institutional changes have taken place in the monetary policies of the United States Federal Reserve, The European Central Bank, The Bank of England and The Bank of Japan in the 2000s and especially after the Great Financial Crisis?
2. How have the unconventional measures and policy instruments been justified and legitimized? How does the justification of unconventional measures and instruments stretch the central banks' institutional mandates?
3. What kind of impacts have the central banks' novel forms of cooperation and changing approaches to policy had on their role in maintaining stability in the global economy?

The empirical data of this research consists of three forms of documented material. The first part of the research data consists of institutional mandates of mentioned central banks as well as economic reviews and financial stability reports produced by them from the beginning of 2000s to the present. The second part of the data consists of central banks' decisions concerning unconventional policies, measures and instruments. The third part of the research material includes international professional discussions about central banking and monetary policy. This data consists of speeches held in conferences and seminars of

the Bank of International Settlements and the International Monetary Fund as well as articles published in The Financial Times about unconventional measures and instruments.

The empirical data will be analyzed via methods of critical discourse analysis. Discourse analysis studies the ideas, beliefs and justifications of social behavior. The theoretical basis of the research is the so called theory of cultural political economy, which focuses on economic ideas and institutional environments of economic actors and practices. The research combines international political science, economic sociology and institutional organization studies. The research investigates the justification process of unconventional monetary policy and studies institutional and ideological changes of the world's most significant central banks after the Great Financial Crisis.

Schedule

I will perform my doctoral thesis research in the Doctoral Programme in Political, Societal and Regional Change in the Faculty of Social Sciences, the Department of Political and Economic Studies in the University of Helsinki. The supervisors of my doctoral thesis are University of Helsinki's lecturer of political science and docent Ville-Pekka Sorsa and professor of world politics Heikki Patomäki. The doctoral thesis will consist of four articles which will be written in English during 2015-2018 and submitted for publication in international journals of economics, politics and governance, such as *Governance, Economy & Society* and *New Political Economy*.

The first article will combine the historical development of central banks' mandates and study mandates' implicit premises and targets of central banking. The second article studies how the financial crisis has affected the central banks' own understanding about changes in their economic operational environment and the central banks' own role in resolving the financial crisis. This will be combined to an analysis about how central banks have justified their unconventional policies in relation to their institutional mandates.

The third article compares justifications and criticisms of the unconventional measures. A special interest of the article is to examine economic argumentation considering central banking in the public discussion after the Great Financial Crisis. The fourth article examines on a larger scale how the central banks'

institutional and ideological changes shown in prior articles reflect the central banks' political weight in the global economy.

In addition to the articles, the thesis will include an introduction chapter which recounts the central themes and main findings of the research and points out themes and questions for further research. I have applied for individual grants from domestic funds and foundations and I am also part of a project funding application my supervisor has applied for. During the research process I will present the manuscripts of the articles in conferences both in Finland and abroad at least once a year in order to gather feedback and develop my argumentation and reasoning. The table below describes more specifically the time table of the research:

Table 1: Schedule of the doctoral thesis.

	Collecting data	Analysis	Writing	Conference presentation	Finalizing the article and sending for the publication
Article I	spring 2015	spring & summer 15	fall 2015	fall 2015	winter 2015 - spring 2016 to Governance
Article II	spring 2016	spring & summer 16	fall 2016	fall 2015	winter 2016 - spring 2017 to Economy & Society
Article III	spring 2017	spring & summer 17	fall 2017	fall 2017	winter 2017 - spring 2018 to Review of International Political Economy
Article IV	spring 2018	spring & summer 18	fall 2018	fall 2018	winter 2018 to New Political Economy
Introduction			fall 2018		winter 2018: Submitting the complete thesis

Literature

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