

# The Role of Central Banks in Rebuilding Social Capital

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## Elvis: Suspicious Minds

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Why can't you see  
What you're doing to me  
When you don't believe a  
word I say

- concern about the competence or effectiveness of governments and political institutions in managing responses to economic, medical, diplomatic and military emergencies;
- fears about a loss of privacy in a world dominated by information controlled primarily by private companies (big tech) that may manipulate price signals in order to influence and mold behavior through complex and intransparent algorithms.

“Rock stars”

- Great Moderation
- Response to GFC (no Great Depression)
- Covid

# Criticism

*Financial Times* economics commentator Martin Sandbu tweeted:

“why does the governor of the Bank of England encourage restraint in wage demands but not call for restraint in businesses’ attempts to protect their profit margins? Intellectual bias, ideology, greater resignation wrt price- than wage-setting, or something else?”

Elvis trap:

I can't walk out /

Because I love you too much, baby /

Why can't you see /

What you're doing to me /

When you don't believe a word I say

2020

- Major caesura: new shifts in employment, new sorts of unemployment
- Price stability in the middle of structural shifts and lasting supply shocks



## History: Original Purposes

- Public Debt Management (Bank of England, Banque de France, Banco de Portugal .....
- Fiscal Stability (Reichsbank, Federal Reserve System)

Involves

- Intervention in cost of credit
- Jeremy Stein: money gets into every crack



# National Purposes

Harry S. Truman 1951 conflict with Fed:

“emphasised that we must combat Communist influence on many fronts. He said one way to do this is to maintain confidence in the Government’s credit and in Government securities. He felt that if people lose confidence in Government securities all we hope to gain from our military mobilization, and war if need be, might be jeopardized.”



## Worry about credit money

- Based on confidence and vulnerable to sudden reversals
- Based on accumulation of information about borrower (in contrast to money)