A Definition of Culture

The very idea of a culture of central banking may sound odd because central bankers are experts, and we imagine that experts are (or at least should be) unbiased, detached, and set apart from the wider culture. But for exactly this reason, central bankers, regulators, market insiders, and their academic supporters are a special community, a cultural group apart from many of the communities that make up the public at large. “I feel more comfortable with other central bankers around the world than I do with ordinary Japanese people,” one senior Bank of Japan official once told me. The same is true on the other side of the divide. “Isn’t it boring talking to those people?” my Japanese hairstylist asked me when I explained my research at the Bank of Japan.

Before we can see how central banking is in fact cultural, we need to say what we mean by culture. Culture is the ensemble of collectively held values, beliefs, commitments, and general ways of doing things. It includes every-
thing from how we dress to what we believe. Anthropology is the social science devoted to the study of culture. Two generations ago, the renowned anthropologist Clifford Geertz defined culture as “a system of inherited conceptions expressed in symbolic forms by means of which men communicate, perpetuate, and develop their knowledge about and attitudes toward life.”¹ Culture in this sense is shaped and experienced by the institutions in which we live, grow up, are trained, and work. Culture therefore is a product of history, and also of economics. But since it shapes what human beings believe and therefore what they do, culture also shapes history and economics.

The starting point of a modern study of culture is an appreciation that what looks irrational or even reprehensible in one context or from one point of view looks perfectly rational and even admirable from another.² Any science of culture therefore must seek to understand other people’s way of knowing the world, on their own terms, before passing judgment on them. Our goal therefore is to understand the culture of central banking, how it came to be, and what actions and thoughts are possible for someone who is part of this culture, not to criticize. This is a perspective that allows us to shed new light on the challenges of central banking, as well as on how we—experts and publics—might respond to these challenges.

Anthropologists also know that although we are all heavily influenced by our culture, cultures do not dictate our thinking or moral choices. In every culture, people interpret shared cultural values differently and make different ethical or strategic decisions. There is always plenty of room for agency, choice, and change in any community. This also means that cultures are internally divided and that values are always contested. People offend each other, wrong each other, misunderstand each other, exert power over each other, and leverage the tensions and ambiguities in cultural norms in order to push for changes in those norms. Just because there is such a thing as a culture of central banking does not mean that all central bankers think alike. On the contrary, there is plenty of conflict within central banks, and these disputes are an important part of the culture.

It is also well established that cultures are not like billiard balls—that there are no “pure” cultures untouched by other cultures.³ Rather, cultures are hybrid, overlapping and constantly mixing and combining into dynamic new forms. Forces from markets to education to migration to popular culture ensure that all of us participate in multiple cultures at once. So
central bankers are not in fact cut off from the world—they have a foot in other worlds and bring those cultural influences into the central bank.

All this is why culture is never a fixed and given thing. It is constantly changing as it is translated to new audiences and adapts to cultural influences from outside. Hence any assertions about the “real” cultural values of a given society are necessarily ideological or political claims rather than truth. The culture of central banking fifty or ten years ago bore some important relationship to today’s but also differed in significant ways.

One important aspect of any culture is how it represents itself to the outside world. What “the community” and its values are is partly a product of their representation in speeches, blog posts, regulations, doctrines, and documents. This brings us to something anthropologists call “reflexivity.” It is now universally acknowledged that the “facts” of culture are not, as we imagine the laws of physics, “out there” to be discovered; rather they are produced in the experience of people describing themselves to others and also in the experience of dialogue, confrontation, or mutual learning that characterizes cultural research. And yet the difficulties in knowing the “truth” of culture—indeed, the fact that there is no singular truth to know, that culture is not so much an object as an endless process of translation—do not relieve us of the burden to try to understand and know.

In *The Invention of Culture*, Roy Wagner argues that the study of culture involves a relationship between two sets of cultural values. “The understanding of another culture involves the relationship between two varieties of the human phenomenon; it aims at the creation of an intellectual relation between them, an understanding that includes both of them.” Culture is not a thing out there, like a rabbit or a carrot, but rather a heuristic. It is a tool for translating one set of meanings into another, for “drawing self-knowledge from the understanding of others and vice-versa.” This formulation of culture challenges us to engage in a collaborative experiment. This does not undermine the scientific nature of the inquiry; rather, it humanizes it.

So when we speak of the culture of central banking, we are actually engaging in a creative and difficult dialogue across the boundary that separates experts and the public. Culture here is a tool for a new kind of relationship between the two.
The Culture of Central Banking

Central banks are not machines—they are cultural institutions. That is, they are collections of human beings, with all of the tensions, biases, disagreements, uncertainties, common aspirations, career trajectories, and ideological orientations that define any other group of human beings. As Peter Conti-Brown puts it, “The Federal Reserve is a ‘They,’ not an ‘It.’” This also means that central bankers are not machines—they have biases and blind spots, cultural particularities and preferences, like everyone else.

To understand the culture of central banking we need to focus in on the social dimensions of the central bank as an institution. This includes how people are recruited, how they are trained, how they are promoted, and where they go when they leave the central bank. For example, Japanese central bankers are still predominantly recruited right out of university or graduate school and then are put through an elaborate multiyear training and promotion program. This usually involves spending extensive time at branch offices outside of Tokyo where they are sent out to talk to local bankers and merchants. This experience is critical because it gives them some exposure to the real economy. They usually spend their entire careers at the central bank and retire to positions as part- or full-time college lecturers or as advisers to industry. There is relatively little career pressure to make friends in industry, therefore, because central bankers are not beholden to the private sector for their immediate future.

The culture of central banking also includes the daily practices and rituals of the institution—what people do every day, the internal rules and expectations, and also the important ceremonial events in the life of the institution. For example, formal dress codes and subtle gradations on those codes may define internal hierarchies. The usual dress code in most central banks involves conservative suits—ideally not too flashy or expensive. One American central banker once joked to me that if your shoes are too fancy people will wonder where you got the money from. In this understanding, the subtleties of the dress code expressed central bankers’ financial independence from market participants.

In Japan, for many years, women wore company uniforms, whereas men wore clothes of their own choosing—until female employees convinced superiors that this cultural practice marked women as different and unequal. In the summer months, employees skip the jacket and tie, and the buildings
go with minimal air conditioning. But at the Bank of Japan at the time of my research, this policy still did not apply to women—women still had to dress up exactly as before in the sweltering heat.

These practices may seem trivial, but they tell us something important about how people live their roles and their work day to day. They also shape policy. As I have written about elsewhere,\textsuperscript{12} the Bank of Japan has its own distinct way of managing and gathering information about market participants, and providing guidance that is highly effective in Japan, but different from what goes on in New York or London.

There are also special moments—public speeches, academic conferences, promotion ceremonies, special meetings. All of these events, and the preparation that goes into making them happen, shape people’s thinking and provide opportunities for turf wars as well as for solidarity. They can also become platforms for engaging with the outside world. The way these events unfold is a product of the specific history of the central bank in question and reflects its own specific culture. Adam Posen gives the example of simple but consequential differences in the way policy committee meetings take place in the United States and in England, two countries with similar ideologies, markets, and even traditions.\textsuperscript{13}

But central bankers are also products of their larger cultural environment. Their ways of thinking, of making decisions, of building relationships, or of engaging in conflict with market participants, with other government institutions, with the public, and with other central banks around the world, are shaped by the cultures that have formed them. As institutions, central banks are also shaped by the history and culture around them.

There is significant variation in the political, cultural, intellectual, and economic environments in which central banks operate. Although there are important similarities, the cultures of central banking in the United States, the United Kingdom, and Japan, for example—not to mention in China or Malaysia—are profoundly different. Even the pathways by which the central bank is connected to the public and to the political branches of government are different. For instance, in China, where most large financial institutions are state owned, the relationship between the central bank and the market has a very different character.\textsuperscript{14} These differences can in turn generate disagreements at the regional and international level about how the global economy should be managed and also result in different local outcomes for the same global policies.\textsuperscript{15}
At a Meridian 180 conference, there was a lively discussion among current and former central bankers of the subtle but powerful cultural barriers to developing countries’ full participation in G20 meetings. Agendas are often set and important decisions are often made in informal social settings on the sidelines of formal proceedings. These settings are accessible only to persons of certain cultural backgrounds. A central banker from the developing world described how the night before the formal meetings European and American central bankers often meet at a private club to socialize. This central banker pointed out that key decisions were made at those social events, and he complained that central bankers from his country could not participate in those discussions. A European central banker responded that his critic’s countrymen should just learn the rules of the private club world so that they can join those parties. He pointed to Japanese colleagues as models of cultural outsiders who were literally part of the club because, he said, they knew how to behave in those settings. Such an exchange tells us much about how culture frames a politics of inclusion of some and exclusion of others according to unwritten norms and practices.

It is important to emphasize that there is no eliminating culture. There is no such thing as a culture-free bureaucracy. Rather, once we recognize that bureaucrats—like everyone else—are socially situated, we open up new possibilities for collaboration and coordination (as well as competition) with other social actors. This can help us to achieve specific policy goals and address possible biases. Yet we first need to recognize our cultural embeddedness, as both a strength and a weakness, but, in any case, as a reality.

Beyond this, there are also the more specific social relations that central bankers maintain with their counterparts in the financial sector. Central bankers share a similar educational background (and even classmate ties) with many elite financial market participants. They speak the same language and feel comfortable together. They meet often in formal and informal settings—from private clubs to dinner parties to classmate reunions—and know one another as friends. In those settings they talk about their work and often come to share certain given assumptions about the economy, the financial markets, and the directions policy should take.

Of course, the social dimension of central banking has advantages and important policy uses too. Elsewhere, I have suggested that, empirically speaking, relations between central bankers and financial market partici-
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pants represent an important source of central bank legitimacy. These relationships are important sources of information and important vehicles for implementing central bank policy. They can be called upon to shift the narrative when central banks are under attack. The most skilled central bankers have learned to make use of these relations to get their job done—whether it is gathering information about market conditions or cajoling market participants to accept certain policy directions. Yet there is no policy playbook, no script, that teaches policymakers how to handle their status as social actors embroiled in real social institutions. The policy manuals proceed as if technocrats act outside of the web of connections that, in fact, define their thoughts and actions.

In most cases, it is the cultural effects of these social relations, rather than actual quid pro quos, that result in what many outsiders see as central banks’ favoritism toward large financial institutions. As discussed further later, an important implication of acknowledging this kind of cultural politics is that central bankers must widen their networks and engage with a much broader range of market participants and citizens. We need to expand the range of constituencies to whom central banks are “culturally accountable,” in informal terms, for their legitimacy.

The Power of Ideas

As Peter Katzenstein explains, conceptual “conventions are shared social templates, ‘often tacit but also conscious, that organize and coordinate actions in predictable ways,’” and that serve as “agreed-upon, if flexible, guides for economic interpretation and interaction.” All expert communities—professions, schools, and disciplines—define themselves by the way they set boundaries around ways of knowing things. In the field of central banking, certain economics departments dominate as key training sites—places where ideas are taught, where a specific language for thinking about the economy is learned, where the common sense is imparted from one generation to the next.

Sociologists Yves Dezalay and Bryant Garth have described the impact of those training sites on economic policy. They talk of how young economists from the developing world came to the University of Chicago, Harvard, and elsewhere to learn the “science” of economics and went home
with very particular (and, the authors argue, skewed) policy prescriptions.18 A similar story could be told about the training of central bankers around the world. Elite central bankers are, on the whole, graduates of a few key economics departments. They are specialists in only one discipline. Moreover, as Katharina Pistor points out, the economic training at these institutions ignores much of the discipline’s own tradition of doubt about the self-regulatory and self-sustaining capacities of markets.

Gillian Tett has coined a phrase for the problem: silo thinking.19 As Tett argues, prior to the 2008 crisis (and still, unfortunately, to this day) experts lived in their own knowledge silos—worlds in which most everyone thought like them. Silos are not necessarily all bad. In fact, they are necessary. One of the features of expertise is that it must exclude certain other forms of knowledge in order to define its own parameters. The very nature of expertise—what enables it to do its work—is the limit it places on one’s ways of knowing a given object.20 Silos shut out certain kinds of “noise” so that other patterns can be grasped.

Yet this means that every kind of expertise has its blind spots—areas that are not germane to that form of expert knowledge.21 The result is that policies often reflect the specific blind spots of the expertise on which they are built.22 The best experts know this—they are acutely aware of what they do not know, cannot explain, or are likely to miss given their own methodologies. Yet when expertise gets so all-encompassing that experts are not able to communicate with, or learn from, other ways of seeing the world, experts lose awareness of those blind spots. Science turns into dogma. The result is one particular conceptual template for understanding the economy, one way for identifying problems and crafting solutions.

This can be all the more problematic as expertise is shared across different contexts—when central bankers from one jurisdiction borrow the tools of central bankers in another, for example. One of the hallmarks of expertise is a certain “cut and paste” approach—models, language, tools, or routines developed in one context are transplanted by the expert to another context. Preparedness drills for nuclear war are repurposed as preparedness drills for bio threats. Economic programs developed for the United States are transposed to Latin America.23 Payments technologies developed by a central bank in a highly developed economy are adopted by a central bank in a developing economy. This allows for dramatic economies of scale, but it also increases the impact of blind spots as the premises, purposes, and
background knowledge behind programs is lost in the transplantation, and as projects developed for one context are repurposed for a very different one.

As political philosophers, philosophers of science, and anthropologists have shown, certain ideas make certain kinds of facts “thinkable.” Without an appropriate conceptual box to put it in, a piece of information can become heretical (Copernicus’s assertion that the Earth rotated around the Sun, for example) or, worse yet, entirely nonsensical. This is what the political philosopher Antonio Gramsci meant when he spoke of ideas as “hegemonic”—the power of the idea to become so commonsensical, so generally accepted, that it does not even deserve notice, let alone criticism. When an idea becomes hegemonic, any contrary idea or any fact that does not fit in the dominant idea is apprehended as pure craziness. For example, the historian Liaquat Ahamed shows that central bankers during the interwar period were prisoners of their belief in a particular economic orthodoxy. Their conviction that sound monetary management depended on the gold standard kept them from pursuing policy options that might have prevented the Great Depression.

In central banking, the conventions that have dominated in recent years are neoclassical economic theories. These conventions define the issues for policymaking and the zone for political compromise. We now know that these conventions have serious limitations. As Joseph Stiglitz argues, the challenges now facing the Eurozone are attributable largely to policy errors that can be understood only in terms of “the role of ideas and beliefs”: “The founders of the euro were guided by a set of ideas, notions about how economies function, that were fashionable at the time but that were simply wrong. They had faith in markets and lacked an understanding of the limitations of markets and what was required to make them work. . . . While in most of the world, market fundamentalism has been discredited, especially in the aftermath of the 2008 global financial crisis, those beliefs survive and flourish within the eurozone’s dominant power, Germany. They are held with such conviction and certainty, immune to new contrary evidence, that these beliefs are rightly described as an ideology.” As an example of Stiglitz’s point, one central banker recently described inflation targeting to me as a “fad” of experts at a particular time that was nevertheless picked up on by both international institutions and capital markets as a “necessity” of good governance.

Central bankers are often painfully aware of the limits of their expertise. The fact that neither the movements of financial markets nor the effects of
their regulation can be reduced fully to the laws of economics is something any sophisticated expert knows all too well. In his anthropological study of central banks around the world, Douglas Holmes finds that in response to the failures of conventional economic expertise, “central banks cultivate networks of interlocutors that generate knowledge—what amounts to ethnographic knowledge—about the social and cultural character of the economy.”

This leads him to conclude that “central banking is more of a ‘performative art’ than a ‘predictive science.’”

These doubts have become more widespread and more pronounced of late because markets are no longer behaving as the economic models predict that they should. Many policymakers trained in economics now lament the failure of economics to sufficiently predict or even explain the consequences of current monetary policy or to give us a coherent picture of what is happening in the economy. At a recent Meridian 180 conference, a fascinating discussion broke out among policymakers about how the next financial crisis would be handled. Some argued that a “playbook” for crisis management now exists, thanks to the lessons of the financial crisis of 2008. Others countered that the very nature of a crisis is that there is no playbook—that the expertise garnered from past crises is not sufficient to tell policymakers what to do in the present or how to predict the future.

**Mundane Technical Details Are Value-Laden**

But central banking is not just about ideas. Day-to-day work within a central bank is defined by routines, procedures, scripts for gathering information, evaluating problems, structuring responses to those problems, and generating consensus for solutions. Central banking is routine technocratic work centered around a series of “techniques” that are used to craft solutions, both large and small, in much the same way that a plumber might repair a leaky valve or an urban planner might craft a new bus route through a growing city.

The work of central banks is not just about high-profile monetary policy. Many other important activities go on inside central banks. This includes crafting regulatory norms, rules, and policies; monitoring banks in order to determine that they are individually and collectively in sound economic condition; acting as “lender of last resort” when a crisis occurs; engaging in
formal and informal coordination with other central banks around the world on policy issues; and maintaining the payment system—the system by which payments are cleared between private banks when an individual client of one private bank sends a payment to another.

When central bankers assert that their work is technocratic and not political, they point to these kinds of mundane activities. It is boring stuff—stuff the public could not possibly care about. And yet these things are not just mere technicalities. They have power. I have shown elsewhere how central bankers borrowed many of the tricks and techniques of private market legitimacy to confer legitimacy on central bank practices that otherwise might have been maligned as “political.”30 Let me give an example—the work of designing and maintaining a payment system.

The payment system is the plumbing of the national economy: funds cannot be transferred from one party to another without going through the central bank’s back-end clearing infrastructure. The very need for this state-sponsored system is one way in which private markets are always already public.

Central banks have developed elaborate procedures for loaning funds to clearing banks during daytime hours when they may lack sufficient funds to clear their obligations. Without this government-provided liquidity, the market would effectively fail many times per day. There are several different ways of structuring such a clearing mechanism. They all rely on intraday government loans, and hence “cost” the public something and provide a benefit to private banks. Yet the differing details of how payment systems are structured in turn require different routines and procedures within the private banks that use them. Japanese central bankers chose one kind of system, known as real-time gross settlement (RTGS), in part because it encouraged a certain kind of behavior from private actors: it required more individual responsibility, forcing them to think more on their toes and hence to conform more to certain ideals of what good market actors should act like.

In this example, the mundane technicalities of the payment system turn out to have important consequences for how market participants must respond and learn to act. These technicalities actually aim to change what kind of person one must become to act successfully in the market. Indeed, this is one of the purposes of the technicalities, from its architects’ point of view. The technical structure of the system becomes a way to mandate cer-
tain kinds of behavior and, hopefully, a way to change people’s ways of thinking about market activity itself. From this point of view, these mundane technicalities do the very same work governments could do, with laws and regulations, to shape the wider culture of markets.

Obviously, the purpose of the clearing system deployed by the Bank of Japan in this example was not just to change market participants’ behavior. It was also to ensure that payments could be resolved efficiently in the Japanese market, and indeed RTGS was the global standard at the time it was adopted in Japan. This is important because we need to appreciate that something can be practical and effective as a good piece of financial engineering and also have cultural effects. We do not need to choose between a scientific or a cultural understanding of these technicalities.

**Central Bankers and the Public**

So expertise is cultural. It is shorthand for speaking to other experts. It is even a style of talking, of dressing, of behaving. At the beginning of this chapter, I described how a Japanese central banker once told me that he feels more at home with other central bankers from around the world than he does with ordinary Japanese people. This common culture of expertise is necessary and desirable, since it allows people to communicate quickly and fluidly about highly complex and technical matters.

Yet a culture of expertise also limits who can be included in the conversation. Most central bankers are quite risk-averse, socially respectable people who take pride in living relatively anonymous lives. They are people who, whatever policy disagreements they have with one another, believe in the system. This is, incidentally, a system in which they have personally succeeded and hence have a stake in. Many therefore have a certain lack of comfort with social activists or people from socially marginal positions or groups who continually point out the problems with that system. Claims that are not couched in particular vocabularies or voiced by persons with certain educational pedigrees run the risk of being dismissed as nonsensical. This set of unspoken cultural preferences influences who is included in the conversation and who is not.

A significant body of social scientific research over the past two decades has demonstrated that expertise confers power and authority. Contrary to
the claims experts often make that they are simply cogs in the wheels of larger political processes, or that their actions are deeply constrained by outside facts or processes, this literature shows how experts wield considerable power. When I can credibly assert that I am an expert, others have to listen. For example, encounters between doctors and patients inform how patients think of and even physically experience their own bodies, their lives, and their health. The demarcation of expertise from politics is, moreover, itself a source of power. As Jonathan Kirshner put it at a Meridian 180 conference, “It is a political act to claim you are acting apolitically!” This is not to say that expertise is not necessary or important, or that experts do not know things that nonexperts do not know. But with this power, social science has shown, often comes a lack of critical reflection on the limits of one’s own perspective.

Why were the experts unable to foresee the 2008 crisis? Why did they not see the possibility of massive defaults in the housing market leading to wider systemic consequences? Many books, novels, newspaper articles, and even blockbuster films have been devoted to this question. In fact, many people did see the crisis coming, but they were not heard—by virtue of the fact that they did not participate in the intellectual conventions of the time.

There are therefore also costs associated with expert cultures. Experts are not the only clients of the global financial system. Ordinary people are also implicated, both as perpetrators and as victims of risk. The 2008 crisis brought attention to consumers and retail investors as key players and sources of risk in financial markets, and even spawned new regulatory initiatives such as the U.S. Consumer Financial Protection Bureau. We have begun to appreciate the fact that the exclusion of ordinary people’s point of view in thinking about the economy has serious consequences for the economy as a whole.