

THE CENTRAL BANKING EPISTEME

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ABSTRACT

What is it that central bankers do when they do “central banking”? In this essay, I argue that central banking is as central banking does, that the episteme of central banking is thus a contested and evolutionary set of functions within a nimble and flexible institutional framework. This insight is important as it destabilizes the notion that central banking is the technocratic work of experts who agree on the appropriate course of policy and must navigate that policy through the headwinds of small-minded politicians. There is a great deal of expert consensus that attaches to the work of central banking, but also a great deal of value judgment. Recognizing that central bankers perform both roles, technical and political, helps us understand the enormous power wielded by these institutions and the most promising paths of reform to enhance their efficacy, legitimacy, and accountability.

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INTRODUCTION

In what has become something of a tradition with recent Fed Chairs, Jerome Powell sat for an interview on the US news program *60 Minutes*.¹ The very fact of his interview (and those of his predecessors²) is somewhat unusual in the broader scheme of central banking history. Montagu Norman, the Governor of the Bank of England at the beginning of the 20th century, is said to have invoked the Oxford philosophy of “never explain, never excuse” when addressing the powers and prerogatives of a central bank.³ The idea of sitting down affably and explaining what central bankers do to the general public was once regarded as anathema by this closely-held guild.

We do not live in Norman’s era now. Central bankers like Powell not only sit down for interviews as public officials, they are everywhere, constantly explaining, constantly defending themselves, their decisions, and what the unique powers of central banking mean for the wider exercise of public power. This occurs in sometimes contentious congressional hearings, required by statute;⁴ in regular press conferences that only began in earnest in 2011;⁵ in constant speeches, interviews, and public events;

¹ *60 Minutes: Federal Reserve Chairman Jerome Powell* (CBS Broadcast Mar. 10, 2019) <https://www.cbsnews.com/news/full-transcript-60-minutes-interview-with-fed-chair-jerome-powell/> [<https://perma.cc/7SU3-B536>].

² *60 Minutes: Ben Bernanke’s Greatest Challenge* (CBS Broadcast Mar. 15, 2009) <https://www.paramountplus.com/shows/video/2NUYQGywnXSc252v5fkeyKTtBIZTD67h/> [<https://perma.cc/6S2S-5C9A>]; Rana Foroohar, *Janet Yellen: The Sixteen Trillion Dollar Woman*, TIME MAGAZINE, Jan. 9, 2014, <https://time.com/4238/janet-yellen-the-sixteen-trillion-dollar-woman/> [<https://perma.cc/87JB-WX23>].

³ ANDREW BOYLE, MONTAGU NORMAN: A BIOGRAPHY, 217 (Cassell & Co., 1967).

⁴ Full Employment and Balanced Growth Act of 1978 § 302, 15 U.S.C. § 3132.

⁵ For a history of Fed press conferences, see *Staff Picks: Fed Press Conferences in FRASER*, FED. RSRV. BANK OF ST. LOUIS: FRASER BLOG (May 8, 2019),

and even in carefully designed “listening tours” to better understand the needs of non-experts.⁶

This transition from deep secrecy toward radical transparency is not new, exactly. It began under the auspices of Alan Greenspan. Near the end of Greenspan’s tenure, macroeconomist and former Fed official Alan Blinder called this move to transparency “the quiet revolution.”⁷ It was a movement to which the Fed was essentially dragged, kicking and screaming, but once central bankers were at the center of things, they have never departed. When Greenspan retired, he was hailed as “the greatest central banker who ever lived.”⁸ The view was held not only by economists for the impact he had on monetary policy, but by people all over the world. The Greenspan issued in the era of the Federal Reserve at the center of things. There it has remained, through financial crises, a pandemic, and much else. In 2024, the Fed remains the subject of conversation at the front pages of newspapers throughout the world.

If the Fed and other central banks, then, have captured the center of the world’s attention, the next question follows: What are they doing with the world’s attention?

Part of that answer comes from the central bankers themselves. Take Powell’s own characterization of what the Fed does or, better, what the Fed doesn’t do: “We do not consider politics in our decisions. We never do. And we never will.”⁹ In that view, what the Fed is doing on the world’s stage is defined in the negative: whatever it is, it is not “politics.”

How can we best describe it, then? The idea that it is merely “science” is not very satisfying either. After all, the Covid-19 pandemic revealed that even questions of public health and disease control, apparently irreducibly scientific questions, are inherently inflicted with political choices. And yet, Powell’s view appears to be that central banking

<https://fraser.stlouisfed.org/blog/2019/05/fed-press-conferences-in-fraser/>
[<https://perma.cc/BN3R-Z26J>].

⁶ For information on the *Fed Listens* program, see *Fed Listens*, FED. RSRV., <https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-fed-listens-events.htm> [<https://perma.cc/2G53-LFZV>].

⁷ ALAN S. BLINDER, *THE QUIET REVOLUTION: CENTRAL BANKING GOES MODERN*, 5 (Yale Univ. Press, 2004).

⁸ ALAN S. BLINDER & RICARDO REIS, *UNDERSTANDING THE GREENSPAN STANDARD*, 3 (Sept. 2005) <https://www.princeton.edu/~ceps/workingpapers/114blinderreis.pdf> [<https://perma.cc/A3YM-TPKC>].

⁹ *60 Minutes: Fed Chair Jerome Powell* (CBS Broadcast Feb. 4, 2024) <https://www.cbsnews.com/news/full-transcript-fed-chair-jerome-powell-60-minutes-interview-economy/> [<https://perma.cc/XUW8-6A3B>].

is different still. The idea appears to be that what central bankers do is “technocracy,” not “democracy.”

In this essay, as an introduction to a symposium studying central banking from an international perspective in times of great uncertainty, I want to explore this central idea, this epistemic commitment. The idea that politics is not what central bankers do is a useful one. It is also incorrect.

I will propose and defend the proposition that, at a fundamental level, politics is the *only* thing that central banks do. I will defend this idea against two kinds of arguments. The first is the one identified above from central bankers themselves. They would regard the idea that central banking is political as a kind of insult, lobbed at them from those outside the epistemic community who only seek to wreak havoc. This idea is wrong, for reasons I will explain. Central bankers have misunderstood, perhaps strategically, the nature of their work. It is a useful error, but still an error.

The second argument I will reject comes from the opposite perspective. That argument goes something like this: what central bankers do is *obviously* political. They are merely partisan politicians who parade as technocrats to confuse the democracy, to substitute, in Aristotle’s conception, the *episteme* (the domain of real truth and expertise) for the *doxa* (the domain of opinions and ideology). Central bankers are the puppets of their political sponsors. They are, in a word, partisan.

This idea is also wrong. This argument misunderstands, perhaps strategically, the nature of the work that central bankers perform. It is a harmful error.

This essay proceeds as follows. In Part I, I explain what I mean by the “central banking episteme” by putting pressure on that Aristotelian notion and its alternative, “ideology” (riffing in part on the Aristotelian notion of “doxa”). That is, for all questions where the stakes are high, the epistemic consensus among experts will fail, leaving choices to be made by central bankers who do not agree. What, then, supplies the missing content required to make decisions?

In Part II, I present the argument from central bankers that even in situations where experts disagree, they are still engaged in epistemic analysis that has nothing to do with politics. I reject this argument because it miscasts what it means to “do” politics. I use as my example the career of Jerome Powell, who may well go down in history as the best central banker the Federal Reserve has ever seen not in spite of his political orientation to the job, but because of it.

In Part III, I present the argument that is, as of this writing, floating with much more vehemence that central bankers are partisans who need to be replaced by other partisans. This idea is the one that Powell is keenest to reject. He is right to do so. There is almost no evidence that central bankers in the United States behave in an explicitly partisan way. This difference between politics and partisanship is extremely important. It is why the contention that the Fed does not “consider politics,” while incorrect, is also extremely valuable.

I. EPISTEME VS. IDEOLOGY

In *Posterior Analytics*, Aristotle defines two key terms that are relevant to any discussion about what, exactly, central banks do: episteme and doxa.¹⁰

In some translations, episteme is defined as knowledge, and doxa as belief. But, as Brazilian philosopher Lucas Angioni argues, the better rendering of episteme is “scientific knowledge.”¹¹ Doxa is much harder to parse. For my purposes, I will refer to the alternative to “scientific knowledge” as “ideology,” which I take to mean opinions about knowledge, informed by narratives, constructed actively and passively, through a lifetime of engagement with epistemic questions. (Note: I make no pretense at what Aristotle meant by doxa, only what I mean by the contrast away from episteme. In the way I am using ideology, it overlaps with Aristotle, but may be better described as Weberian.¹²)

Central bankers who administer central banking policy practice a kind of episteme. It is non-trivial to know how the mechanics of the system work, how to intersect with banks and nonbanks that implement changes to the monetary policy outlook, and what the decisions to make even are. The epistemic quality of these decision trees is clear to all experts,

¹⁰ ARISTOTLE, *ARISTOTLE’S POSTERIOR ANALYTICS*, (E.S. Bouchier, trans., 1901); see also Lucas Angioni, *Aristotle’s Contrast Between Episteme and Doxa in its Context (Posterior Analytics I.33)*, 42 MANUSCRITO: INT’L J. PHIL. 157-210 (2019).

¹¹ Angioni, *supra* note 10, at 157-210.

¹² Aristotle focused extensively on “politics,” but situated himself largely as the enemy of “ideology” in the way that word is mostly understood. See generally, ARISTOTLE, *ARISTOTLE’S POLITICS*, (Benjamin Jowett, trans., 1908); ALAN RYAN, *ON ARISTOTLE: SAVING POLITICS FROM PHILOSOPHY* (2013). Weber is much more explicit on drawing out the lines on ideology. See Max Weber, *The Social Psychology of the World Religions*, in FROM MAX WEBER: ESSAYS IN SOCIOLOGY 266 (Hans Gerth & C. Wright Mills, eds., 1946); see also TAIJU ZHANG, *THE IDEOLOGICAL FOUNDATIONS OF QING TAXATION* (2023). I develop ideas about ideology in a central banking context in Peter Conti-Brown, *The Ideological Foundations of Central Banking*, 36 YALE J.L. & HUMANS. (forthcoming 2025).

whatever their backgrounds. When experts debate the merits of various monetary policy regimes—a floor or a corridor system,¹³ flexible inflation targeting versus flexible average inflation targeting,¹⁴ the availability of discount window lending versus standing facilities for nonbank primary dealers¹⁵—they are having epistemic debates, even when they do not agree on outcomes.

The disagreement on outcomes is key to understanding what comes next, the transition from the episteme to the ideology. Central bankers have summarized the uncertainty inherent to monetary policy very well, and often. Former Fed Chair Alan Greenspan described the challenge by claiming that “uncertainty is not just an important feature of the monetary policy landscape; it is the defining characteristic of that landscape.”¹⁶ Jerome Powell has picked up on that theme repeatedly. Powell described the challenges of making policy when the targets and outcomes of monetary policy, with the exception of an inflation target, “are not directly observed, nor can they be chosen by anyone.”¹⁷ Instead, policymakers try their best to shape policy to those outcomes—unemployment, the natural rate of interest, the output gap, and so on—that are “natural,” “normal,” or “desirable.”¹⁸ In monetary economics, these outcomes are designated by the suffix “star,” or “r star” for the natural rate of interest, Pi star for the inflation target, and U-star for the natural rate of unemployment. Powell called this approach “navigating by the stars,” punning the nomenclature with the claim that central bank policymaking

¹³ Bill Nelson, *From the Floor Back to the Corridor: Why the Choice of Monetary Policy Implementation Framework Matters*, BANK POL’Y INST. (Oct. 13, 2024), <https://bpi.com/from-the-floor-back-to-the-corridor-why-the-choice-of-monetary-policy-implementation-framework-matters/> [<https://perma.cc/8S97-UEC6>].

¹⁴ Donald Kohn, *Assessing the Federal Reserve’s New Monetary Policy Framework*, BROOKINGS (Mar. 15, 2022), <https://www.brookings.edu/articles/assessing-the-federal-reserves-new-monetary-policy-framework/> [<https://perma.cc/DPE8-6NNC>].

¹⁵ Bill Nelson, *Design Challenges for a Standing Repo Facility*, BANK POL’Y INST. (Aug. 13, 2019), <https://bpi.com/design-challenges-for-a-standing-repo-facility/> [<https://perma.cc/7MB2-NA22>].

¹⁶ Alan Greenspan, Chairman, *Bd. of Governors of the Fed. Rsr. Sys., Opening Remarks at the Jackson Hole Economic Policy Symposium* (Aug. 28, 2003), <https://www.kansascityfed.org/Jackson%20Hole/documents/3424/pdf-Greenspan2003.pdf> [<https://perma.cc/8EVN-ETCX>].

¹⁷ Jerome Powell, Chairman, *Bd. of Governors of the Fed. Rsr. Sys., Remarks at the Jackson Hole Economic Policy Forum* (Aug. 24, 2018), https://www.kansascityfed.org/Jackson%20Hole/documents/6973/OpeningRemarks_JH2018.pdf [<https://perma.cc/Y4C9-X7ZT>].

¹⁸ *Id.*

was akin to ancient mariners navigating ships by the position of the night sky.¹⁹

Central banking ideology is crucial to understanding how these modern-day mariners actually operate. Ideology allows central bankers—and indeed, all people—to formulate narratives about the uncertainty that they observe, sufficient to justify a plan of action. The US Congress gave the Federal Reserve a mandate to make policy; that mandate does not include the instruction to await certainty of outcomes before it acts. The question that observers of central bankers must ask, then, is where do the policy decisions that fill in those policy gaps come from?

II. THE POLITICS OF CENTRAL BANKING

The differences among expert central bankers who recognize the epistemic questions that they face—that there is a natural rate of interest, unemployment, and inflation—cannot be explained by appeals to the episteme. These differing central bankers share the technical expertise needed to understand the policy choices, but differ as to the appropriate course of action. The difference is in their ideology, or the way they choose narratives to explain that uncertainty so that policy implementation can occur.

Ideology, in general, arguably need not be political. One might reduce the irreducible uncertainties of life in favor of narratives that have little to do with the standard definition of politics, namely, who wields power and to what end. But central banking ideology is not so easily separable from politics. The way that central banking policy is made under conditions of uncertainty is precisely about who wields power and to what ends. Central banking policy has enormous implications for the structure of society, who thrives and who does not within it, and how risks for various outcomes are traded off each other or not.

When central bankers such as Jerome Powell claim, then, that politics does not enter into their policymaking, we should take them seriously, but not literally. They are literally making political decisions about the course of policy, about how to reduce uncertainty through workable narratives necessary to make policy effective. It matters a lot who sits in the big chairs of those institutions, how they make their decisions, and to what end.

¹⁹ *Id.*

Central bankers are often quick to segment their policymaking for political purposes between monetary policy, which they insist is definitively apolitical, and regulatory and supervisory policy, which is more sensitively political.²⁰ But those separations are mostly incoherent. The reason is that central bankers don't pick their mandates; legislatures do. And, in the United States, Congress has selected for the Federal Reserve a wide variety of mandates far beyond core monetary policy. In other words, the Federal Reserve is not merely in charge of discovering the natural rates of inflation, unemployment, economic growth, and interest, but in ensuring that the banking system is safe and sound, that banks do not discriminate against their customers, that banks meet their obligations under the Community Reinvestment Act, and that the payment system remains cost-effective, including with payment rails that the Fed itself controls.

The Federal Reserve System is divided into overlapping bodies to handle these kinds of conflicts. The Federal Open Market Committee is the body responsible for monetary policy, while the Federal Reserve's Board of Governors is responsible for regulatory and supervisory policies.²¹ But the Board of Governors sits on the Federal Open Market Committee; the Chair of the Board is the Chair of the Committee (by tradition); and, most importantly, there is no clear division between policy levers that are clearly regulatory and clearly monetary.²²

Given the inability to distinguish between these various roles, it is important to recognize that the politics of central banking are hardwired into their modus operandi, as designed by legislatures that call them into being.

²⁰ Jerome Powell, Chair, Bd. of Governors of the Fed. Rsrv. Sys., *Remarks at Symposium on Central Bank Independence* (Sveriges Riksbank: *Central Bank Independence and the Mandate – Evolving Views* (Jan. 10, 2023), <https://www.bis.org/review/r230111a.pdf> [<https://perma.cc/GSM6-DS7G>]; *The Federal Reserve's Semi-Annual Monetary Policy Report: Hearing Before the H. Fin. & Servs. Comm.*, 118th Cong. (2024) (statement of Jerome H. Powell, Chairman, Bd. of Governors of the Fed. Rsrv. Sys.).

²¹ *Who We Are*, Fed. Rsrv.: The Fed. Rsrv. Explained, <https://www.federalreserve.gov/aboutthefed/fedexplained/who-we-are.htm> [<https://perma.cc/47A8-8YUC>].

²² *Id.*

A. THE POLITICS OF JEROME POWELL

Let us return again to Jerome Powell and illustrate this phenomenon in these days of uncertainty at the end of calendar year 2024.²³

Jerome Powell is the least expected Fed Chair in its history. His immediate predecessors were Janet Yellen, an economist whose tour of duty as Fed Chair was the *fourth* iteration of her service on the Federal Open Market Committee,²⁴ making her perhaps the most experienced central banker in US history; Ben Bernanke, a Nobel-prize winning economist who served as one of his political sponsors' chief economic advisers;²⁵ Alan Greenspan, an economist regarded as one of the most influential forecasters in the history of the profession who had served at the center of Republican power politics for two decades prior to appointment;²⁶ and Paul Volcker, a Treasury and Fed lifer who helped design the transition off gold and wrote his senior undergraduate thesis on inflation.²⁷ Nothing is certain in politics as in life, but each of these Fed chairs spent a lifetime building toward the culmination of their appointments.

Not so for Jerome Powell. His appointment as Governor of the Federal Reserve by Barack Obama was borne of the persistence of the filibuster, as a Republican sympathetic to Democrats who could be paired with Jeremy Stein, a Democrat sympathetic to Republicans.²⁸ There he toiled as a "C-list celebrity," to quote Bob Woodward's evocative description of Fed Governors,²⁹ until Donald Trump decided that he

²³ I wrote the following paragraphs for my daily newsletter on November 20, 2024. Peter Conti-Brown, *Jay Powell: The Political Central Banker We Need*, PCB CENTRAL (Nov. 20, 2024), <https://petercontibrown.substack.com/p/jay-powell-the-political-central> [<https://perma.cc/XD9E-DMXR>].

²⁴ Janet L. Yellen, FED. RSRV. HIST., <https://www.federalreservehistory.org/people/janet-l-yellen> [<https://perma.cc/2Q9V-QWHX>].

²⁵ Ben S. Bernanke, BROOKINGS, <https://www.brookings.edu/people/ben-s-bernanke/> [<https://perma.cc/NP5P-9PCZ>].

²⁶ Alan Greenspan, FED. RSRV. HIST., <https://www.federalreservehistory.org/people/alan-greenspan> [<https://perma.cc/LP6U-SVRM>].

²⁷ Binyamin Appelbaum & Robert D. Hershey, Jr., *Paul V. Volcker, Fed Chairman Who Waged War on Inflation, Is Dead at 92*, N.Y. TIMES (Dec. 13, 2019), <https://www.nytimes.com/2019/12/09/business/paul-a-volcker-dead.html> [<https://perma.cc/9ET6-7VRN>].

²⁸ Binyamin Appelbaum, *Obama to Nominate Two for Vacancies on Fed Board*, N.Y. TIMES (Dec. 27, 2011), <https://www.nytimes.com/2011/12/28/business/economy/obama-to-nominate-economics-professor-and-ex-treasury-official-to-fed-board.html> [<https://perma.cc/55MK-AL7Z>].

²⁹ BOB WOODWARD, MAESTRO: GREENSPAN'S FED AND THE AMERICAN BOOM, 156 (2000).

wanted a central banker that looked the part (Janet Yellen apparently didn't). That Joe Biden reappointed him was more a function of Biden's attempt to restore nonpartisan norms to the Fed. I doubt very much that a Democrat will reappoint a Republican again.

The sheer improbability of it all is what makes the following sentence even more remarkable: Jerome Powell may well be the most effective Fed Chair in its history.

Some will balk at this characterization immediately. Powell, after all, presided over the largest burst of inflation in forty years. He sidelined Democratic regulatory priorities during the Biden Administration in the face of banker resistance, hardly a badge of honor for someone who fiercely protests that he does not play politics in the big chair. And he brought the Fed sprinting into the waiting arms of the US Treasury during the pandemic, a move that may pose significant problems for the Fed in a future crisis.

But I stand by the tentative conclusion. Powell is an extraordinary central banker. What's more, his most important act is now upon us.

What makes Powell so remarkable illustrates the limits of the central banking episteme. Powell promised to "wear out the carpets" on Capitol Hill to hear out legislators on both sides of the aisle.³⁰ He has built incredible good will among many Republicans and many Democrats at a time when good will is hard to find. He needed that good will during the pandemic, when the Fed launched a barrage of emergency programs meant to support the record-breaking fiscal stimulus that first President Trump and then President Biden promoted to stave off the potential crushing effects of an economy shut down by pandemic.³¹

He will need all of those talents and powers to navigate the headwinds that are upon him. Elon Musk, the self-described First Buddy to Donald Trump, has decided that the Federal Reserve is another institution that he and the incoming Administration should stampede in their efforts to remake government in their image. Musk even posed a "poll" to his 200 million X followers asking whether a Magic 8 Ball would do better than the Fed at setting interest rates; that 80% bet on the Magic

³⁰ Nick Timiraos, *Fed Chairman Jerome Powell's Approach to Interest-Rate Policy Wins Bipartisan Backing*, WALL ST. J. (July 9, 2019, 5:09 PM), <https://www.wsj.com/articles/fed-chairman-jerome-powells-approach-to-interest-rate-policy-wins-bipartisan-backing-11562664602> [<https://perma.cc/ET5J-6PEW>].

³¹ Eric Milstein & David Wessel, *What Did the Fed Do in Response to the COVID-19 Crisis?*, BROOKINGS (Jan. 2, 2024), <https://www.brookings.edu/articles/fed-response-to-covid19/> [<https://perma.cc/G63C-T2YP>].

8 Ball tells you more about Musk and his followers than it does about the question at hand.³²

These threats are not idle, even as neither Musk nor Trump can make wholesale changes to the Federal Reserve Act without Congress. The legal changes necessary to “end the Fed” are not what matters here because the institutions of Federal Reserve independence are mostly informal. There is very little that legally protects the Fed from presidential meddling. The test for Powell (and his colleagues) will thus not be on who can lobby Congress more effectively, the Fed or the Administration. The test will be how to navigate and manage the very public relationships with the Administration directly.

In the fight between the Trump Administration and the Powell Federal Reserve, however, I do not bet against the central bank. In these exchanges, historically, the Fed is not the underdog. That reality is true with a wide array of central bankers in charge at the Fed. Jerome Powell, however, is a generational political talent in central banking. With him at the helm, I am even more certain that the Fed will preserve its ability to pursue monetary policy separate from the Administration.

Powell’s talent is a political one, not a technocratic one. He will preserve the Fed’s freedom of movement not because he will win a technical argument but because he will manage a political process.

It is a remarkable thing to contemplate how a civil servant who has worked in Washington continuously across four administrations now carries the fate of so much economic policy in his hands. I have even criticized that power. My 2016 book on the Fed is essentially a critique of the reification of this flimsy concept of central bank independence in ways and places that make no good sense. I would like to see much more democratic accountability for the Fed, especially with respect to its governance³³ and in supervision.³⁴

I still hold those views. I am also a Burkean in an important institutional sense. I view the imperfect institutions of technocratic governance at the Fed in a way that a conservative philosopher viewed

³² Elon Musk (@elonmusk), X (Nov. 17, 2024), <https://x.com/elonmusk/status/1858281282389574081> [<https://perma.cc/32AA-3N4N>].

³³ Peter Conti-Brown, *Restoring the Promise of Federal Reserve Governance*, MERCATUS CTR. (Jan. 3, 2020), <https://www.mercatus.org/research/working-papers/restoring-promise-federal-reserve-governance> [<https://perma.cc/5ZU5-MEZ8>].

³⁴ Peter Conti-Brown, *The Curse of Confidential Supervisory Information*, BROOKINGS (Dec. 20, 2019), <https://www.brookings.edu/articles/the-curse-of-confidential-supervisory-information/> [<https://perma.cc/T4WM-U9Q2>].

conservatism in general: “Conservatism starts from a sentiment that all mature people can readily share: the sentiment that good things are easily destroyed, but not easily created.”³⁵

The Federal Reserve, its many warts and all, is very good at the thing it was designed to do: separating itself from the day-to-day tumult of partisan winners and losers in the development and implementation of monetary policy. That it struggles along so many other dimensions as a technocratic institution, with so many of the same blind spots, does not eliminate that basic thrust of the political achievement that it represents.

The Musk-Trump attack on the Fed will fail, but not for lack of trying. Neither Musk nor Trump is an institutional conservative. Nor are they technocrats. Nor are they liberals. I am not sure what to call their political tradition.

Powell is an institutionalist, through and through. He is also the man of the hour. I am confident that he will navigate the coming years, through the end of his term, not simply with an eye toward the long-term. He will succeed because he is the best politician the Federal Reserve has ever seen. I mean that as a compliment. Therein lies the real power of the central banking episteme: it is an ideological commitment as much as it is a scientific one.

III. WHAT A POLITICAL FEDERAL RESERVE IS NOT

To claim, then, that the ideology of central bankers is inherently political, seems to be a fellow traveler with a more baldly partisan one. Matt Stoller, a leftist, described the Fed as “a weird, secretive, and unaccountable institution” that “runs our society.”³⁶ He continued: “It’s time for the White House, and both parties, to stop acting like they are elected to be ornaments. The Fed isn’t independent. It’s just out of control. And until we start talking about it as a malevolent political agent, we won’t be able to address the rotten policy discourse at the center of our economy.”³⁷ This is not merely a leftist critique. Right-wing US Senator

³⁵ ROGER SCRUTON, *HOW TO BE A CONSERVATIVE* VIII (2014).

³⁶ Matt Stoller, *Federal Reserve Independence Is the Problem*, THE AM. PROSPECT (Apr. 6, 2023), <https://prospect.org/economy/2023-04-06-federal-reserve-independence-problem/> [<https://perma.cc/3ZD9-L84T>].

³⁷ *Id.*

Mike Lee, a one-time candidate to be Attorney General in the second Trump Administration, expressed similar views.³⁸

My description of the Fed's epistemic and ideological framework as irreducibly political carries no water for this more nakedly partisan view. I find almost no evidence in the rich history of the Federal Reserve of partisan wrangling, using monetary policy to nudge an election this way or that to benefit a preferred candidate. To say that the Fed is a political is not to say that the Fed is partisan.

This is an important distinction. This is also the reason why Powell's resistance to Trump will be so crucial. This is not because Powell is a member of The Resistance. It has nothing in fact to do with Trump the man or Trump the president. It is to respect that, through Congress, the American people set up this institution not as a "malevolent political agent" but as a political agent, full stop. It is partisans who seek to undermine that political equilibrium, not the Fed itself.

IV. CONCLUSION

Near the end of the timeless MGM movie, *The Wizard of Oz*, the audience discovers with Dorothy, courtesy of Toto, that the Wizard is in fact "the man behind the curtain." The Wizard does not want you to pay attention to the man, but only to the Wizard. Toto doesn't permit the charade to continue and so the film's denouement tells us that we, the people, had the ability to accomplish our goals all along. We did not need the Wizard—or the man—at all.³⁹

But the film doesn't actually make sense. The Wizard *was* real. Look at the Emerald City that he built! A land of abundance, technological progress, prosperity, even the ability to dye one's eyes to match one's gown.

The Federal Reserve is, in many ways, the Wizard of Oz and the man behind the curtain, both. It is the Wizard in the way that it uses the extraordinary trappings of sovereignty to financialize a version of American prosperity and global dollar management with remarkable success. It has created the Emerald City. It is also the man behind the

³⁸ Will Scadden, *Sen. Mike Lee Introduces Legislation to Dissolve the Federal Reserve*, TOWNLIFT (Jun 11, 2024), <https://townlift.com/2024/06/sen-mike-lee-introduces-legislation-to-dissolve-the-federal-reserve/> [https://perma.cc/PL8E-3RPV].

³⁹ Hugh Rockoff, *The "Wizard of Oz" as a Monetary Allegory*, 98 J. POL. ECON. 739 (1990).

curtain, accomplishing these tasks through a form of high politics to which it wishes the people would pay no mind.

Such is the Fed's episteme and its ideology. Understanding how the Fed functions at the liminal space between each does not discredit either.