Romanian Journal of Communication and Public Relations
vol. 21, no 1 (46) / April 2019, **65-69**
ISSN: 1454-8100/ E-ISSN: 2344-5440

Raluca IACOB*

Review of *Financial Citizenship. Experts, Publics & the Politics of Central Banking*, by Annelise Riles, New York, Cornell University Press, 2018, 108 pages

In 2018, the anthropological literature on economics was enriched by the publication of a book that argues for building communication bridges between financial experts and the public. It identifies the main blind spots on both sides, discusses the need to substantiate a new narrative legitimacy for central banks, and gives experts in these prominent institutions a rigorous call to action for a more effective communication. Annelis Riles's *Financial Citizenship* is the outcome of more than 20 years of research on central banking culture and the social ties between financial regulators and the other financial market participants. The book complements analysis with thorough fieldwork, and one of its strengths is access to sources in the relevant institutions.

The author, who is currently Professor of Anthropology at Cornell University and the founder of Meridian 180, a transnational platform for policy solutions, has designed her book for three distinct audiences, i.e. academics, policymakers and the public at large, whom she urges as well to listen, collaborate and harmonize further.

Riles identifies the need for a new understanding of the role, aim, and challenges of central banks and financial governance in a highly demanding post-crisis context, marked by, inter alia, governmental plans to bail out banks, negative interest rates, and populist and nationalist movements pointing towards central bankers as the source of evil in the economy. Additional difficulties include the emergence of new currencies and payment systems that challenge the authority of national currencies, the public scepticism surrounding the "science" of monetary policy and experts in general, as well as the uncertainty of central bankers themselves regarding the limits of their own instruments. By taking on responsibilities and powers that exceeded their mandates, hence becoming "the only game in town" (El Erian, 2016), central banks have witnessed their trust capital deteriorate in the wake of the recession. Riles goes beyond simply taking note of the legitimacy crisis currently facing central banks because of the most recent financial crisis that has widened the gap between the governing and the governed, and offers solutions to overcome it. For example, in the first chapter, 'The Legitimacy of Central Banking', she suggests "we need a new theory of central banking legitimacy that is both believable and worth believing in" (Riles, 2018, p. 8).

* National University of Political Studies and Public Administration, Bucharest (Romania), raluca.iacob8@gmail.com.

The second chapter, entitled 'The Challenge to the Technocracy', is a discussion of central banks' independence, manifest in counter-cyclical monetary policy measures that go beyond current public opinion, and in long-term goals as opposed to short electoral cycles. The author claims that the public has already identified the major vulnerability of the much trumpeted central bank independence, and consequences have been quick to show: "when it is discovered […] that central banks must engage in activities with the political process […] – then central banks are open to criticism" (Riles, 2018, p. 14).

As an example of politicization, Riles examines the case of the central bank of Japan, which, in 2012, had to implement the measures presented by Prime Minister Shinzo Abe to break out of economic stagnation. Although the project, meanwhile known as "Abenomics", had no impact on the economy, it has proven successful as a political project. According to the researcher, "for better or worse, this cultural and political effect of Abenomics is a highly significant consequence of central bank policy" (Riles, 2018, p. 15). A second example, that of the Federal Reserve, which, in recent years, has witnessed relentless attacks and criticisms of its independence, also during Donald Trump's presidential campaign, raises the question of another type of reaction from the institution of the central bank, i.e. disregarding the situation, denying any potential political legitimacy of central banks. The attacks on Fed's independence have intensified with the appointment of its new chairperson, Jerome Powell, and Fed's responses have changed, but these aspects are outside the scope of the Riles's analysis.

The author recommends a change in the way the public relates to the activity of central banks and argues that, as central bankers' decisions, choices and networks of personal relations intertwine with the political process, it should not regard central banks so much as independent, but rather as interdependent institutions in the economic and political spheres. In this case, legitimacy "comes from productive and principled collaboration, not from autonomy. Legitimacy, from this point of view, is a matter of cultural ideas and social relations as much as it is a matter of legal authority" (Riles, 2018, p. 21).

In her attempt to argue for a new perspective on the challenges facing central banks, Riles defines them as cultural institutions: "Central banks are not machines – they are cultural institutions. That is, they are collections of human beings, with all the tensions, biases, disagreements, uncertainties, common aspirations, career trajectories, and ideological orientations that define any other group of human beings" (Riles, 2018, p. 25). The "guidelines" for understanding this culture, put forward by the author in chapter 'The Culture of Central Banking', cover the social dimension of central banks (recruitment, training, promotion, etc.), daily and recurrent practices (dress code, internal rules), and exceptional situations (meetings, speeches, special conferences). She describes central bankers as a product of the wider cultural environment they belong to, and insists it is precisely the cultures in which they have developed that shape their actions and reactions. Moreover, Riles addresses the social relations between central bankers and financial market elites, which she deems a major source of legitimacy for central banks, providing information, as well as means for implementing monetary policy. However, she stresses the danger of "blind spots", which result from confining oneself to one's own knowledge, a phenomenon defined by Gillian Tett as "silo thinking" (Tett, 2015).

Central banks have seen their decision-making capacity restricted by the various economic doctrines underpinning their actions at different times in history (e.g. the gold standard during the Great Depression, the neoclassical economic theories in recent years). However, experts are aware of economic laws' inability to contain financial markets or the effects of their regulations entirely. In discussing this idea, Annelise Riles cites *The Economy of Words* (Holmes, 2014), a recent notable anthropological research dedicated to "the story of how words have come to underwrite a monetary regime" (Holmes, 2014, p. IX). Noting that central banks recruit and foster networks of experts to disseminate information about social and cultural features of the economy, Douglas Holmes emphasizes that "monetary economics under this regime becomes a strategic form of communication action aligning it with what are essentially pedagogical and, thus, behavioural goals" (Holmes, 2014, p. 12). In 2014, *The Economy of Words* was included in a trilogy whose common theme is, inter alia, what "mere words" can accomplish. Moreover, Holmes is a member of the Meridian 180 platform founded by Annelise Riles and acknowledges the latter's role in defining his own direction of analysis. As an aside, Annelise Riles made the following comment on the manuscript of Holmes' book: "Markets are a function of language" (Holmes, p. X). The two abovementioned researches can be seen as complementary benchmarks in central bank communication, given the authors' area of expertise, their documentation methods, and their respective conclusions. For instance, after more than ten years of research of documents pertaining to the Sveriges Riksbank, the Bundesbank, and the European Central Bank, of constant scrutiny of the Bank of England, the Reserve Bank of New Zealand (RBNZ), and the United States Federal Reserve System, of traineeships in central banks, of seminars and debates with central bankers, as well as with researchers, the American anthropologist concludes that the analysed currency regime is all about language and communication. Holmes believes that the aim of central banks' communication efforts is, in fact, to convince their public to support, participate, and cooperate in achieving the monetary policy objectives, specifically price stability and currency confidence. Discussing this approach, Holmes borrows the concept of 'public currency' from Mervyn King, a former governor of the Bank of England (2003–2013), and develops it along different lines. At the time of its publication, Holmes' work looked into the background of some key institutions in the economy, providing information on how they target inflation through the power of language, and, by means of case studies, on trust building, which is at all times and in all places mediated by culture, a communicative culture (Holmes, 2014, p. 64). The author focussed primarily on central banks' relation with the expert public, while that with the public was less examined.

Returning to Annelise Riles' book, the role of the public is noticeably better defined than in Holmes' work. As the researcher points out, experts are not the only clients of the global financial system, and against the backdrop of the latest financial crisis "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" (Riles, 2018, p. 34). Riles dedicates a whole chapter, entitled 'Culture Clash', to the relationship between central banks and the public. She calls attention to the loss of public confidence in the authority of experts in general and gives possible reasons for this cultural shift. These range from the Hollywood recipe of films about corrupted, incompetent and dangerous experts, to the changes in the structure of the media in the Internet era, where audiences have increased their say in, and control over the news stream. Going back to the 'demythification' of central banks, Riles notes that these institutions have come under scrutiny by the public, having their expertise challenged also due to their own decision-making during the crisis (for example, since the latest financial crisis, Fed has channelled funds to rescue financial companies outside of the US). Moreover, in many cases, this anti-expert populism overlaps with new forms of nationalism targeting central banks, which is a paradox, given that these institutions have backed nationalist projects throughout history.

Both experts and the public can overcome the legitimacy crisis. However, this requires, according to Riles, a different outlook, based on financial citizenship, on the one hand, and on a legitimacy narrative, on the other hand. The author claims financial education provided hitherto by central banks should be taken to the next level, that of a collaborative relationship with the public, by acknowledging first and foremost the limitations and prejudices of experts. Riles launches a call to action for the public to get involved and to take on a highly important responsibility and role. This implies an understanding on its part of the functioning of the national and global financial systems and the roles institutions such as central banks can play in ensuring financial market stability and, implicitly, in shaping individual living standards. To this end, information and commitment are indispensable.

As regards the legitimacy narrative, the researcher puts forward five key elements to be included in the new perspective on central banks: #1. Resilience (legitimacy comes from central banks' contribution to economies and resilient nations); #2. Interdependence (since resilience implies a partnership between all actors in the economy); #3. Collaboration and trust (as long as central banks cannot operate on their own, they can only advance through collaboration, therefore, unlike the old legitimacy narrative, where the public and the experts were seen as two separate and autonomous entities, the new legitimacy narrative will be first and foremost aimed at precisely collaboration and mutual trust); #4. Hard choices (only by openly discussing the difficult choices facing financial governance, "can the public voice views on those choices and trade-offs" (Riles, 2018, p. 54) #5. Culture clash (both sides, the experts and the public, should acknowledge that their opinions are products of the cultures they belong to and it is possible in fact to overlook certain aspects).

In order to overcome the culture clash between the two opposing audiences, the last chapter discusses in detail a programme for action. According to Annelise Riles, a framework for any dialogue "needs to begin from the standpoint of recognizing the empirical reality of value judgments" (Riles, 2018, p. 57). The first two major steps central banks need to take are to acknowledge the distributive and political consequences of their actions. Next, banks should proactively narrow the gap between them and the public and turn the public involvement into a priority in their strategy. Regarding public involvement, the researcher stresses the need for these institutions to communicate more effectively and to design communication as a core activity, not as an auxiliary in policy implementation. For this purpose, they need to "develop new languages, frameworks, and metaphors that allow them to speak more fully and honestly to various publics, both at home and abroad" (Riles, 2018, p. 64). Moreover, they should adapt to the new media landscape. Along with further using existing techniques (such as stress tests), Riles recommends adopting new ones within the scope of anthropological and sociological research tools. In her view, the actual implications of starting a real dialogue include the organisation of open conferences targeted not only at the expert public, but also at NGO representatives and consumer groups. Moreover, there is a need for greater geographical and demographic diversity of own employees in order for them to have access to as diverse opinions as possible.

On the other hand, the public should also take important steps towards central banks. In this respect, Riles reiterates the call for an active participation of the public, for complying with its obligations arising from taking on the role of financial citizenship (for instance, to ask governments and central banks for policies aimed at reducing inequalities generated by globalisation and financial integration, or to actively monitor financial regulations and their effects). Moreover, the academic environment plays an important role and researchers should draw further on the general public perception in examining various aspects of financial regulation. Finally yet importantly, Riles appeals to the financial media, as a mediator that can smooth out the dialogue between financial experts and the public. According to the author, this new type of dialogue requires,

> an institutional arrangement, or platform, for engagement, across barriers of nation-states but also across the cultural divides that separate experts and nonexperts, government officials and civil society. This platform must be both able to accommodate broad normative and ethical questions and able to address specialized technical issues. It must make room for a diversity of points of view and for agendas driven from the bottom up, yet it must also be managed and results-driven. It must be engineered to enable persons of different linguistic, social, economic, scholarly, and political vantage points to usefully input into the process (Riles, 2018, p. 79).

As a final point, Annelise Riles highlights the current opportunity to redefine the legitimacy of central banks' actions, given that a new financial crisis is on the horizon. The public is expected to have a quicker and stronger reaction, leaving no room for improvised response, in light of the experience it has gained from the most recent crisis, its burning discontent with elites, and the easy access to alternative channels and social media. Lastly, the author launches a challenge for experts to start a dialogue with the public across the wider economy, sciences, and the society, which she deems necessary, and points out that the change in this dialogue's paradigm may have profound implications not only on the economies, but also on our democratic institutions. In other words, we can interpret Annelise Riles' call to communication essentially as a wake-up call addressed to citizens and institutions alike, so that the lessons of the financial crisis of 2008 do not go to waste.

In *Financial Citizenship. Experts, Publics & the Politics of Central Banking,* Annelise Riles addresses some major questions, such as why is communication between elites and the public important? Why has the gap between the two audiences widened? Why do central banks need a new narrative legitimacy and how can they construct it? What can the public do to meet financial industry experts halfway? The answers, which are formulated at the intersection of anthropology, economics, and communication sciences, are of a real benefit to all those interested in these research fields. These people are concerned to understand the need for changing the communication paradigm between two increasingly divisive audiences following the most recent financial crisis. They also have the curiosity to find out as much information as possible from central banks, renowned until recently for their impenetrability and opacity.

References

El-Erian, M.A. (2016). *The Only Game in Town: Central Banks, Instability, and Avoiding the Next Collapse*. New York: Random House Publishing Group.

Holmes, D. R. (2014). *Economy of words: communicative imperatives in central banks*, Chicago and London: The University of Chicago Press.

Riles, A. (2018). *Financial Citizenship: Experts, Publics, and the Politics of Central Banking*. Ithaca; London: Cornell University Press.

Tett, G. (2015). *The silo effect: The peril of expertise and the promise of breaking down barriers*. New York. London. Toronto. Sydney. New Delhi: Simon and Schuster.