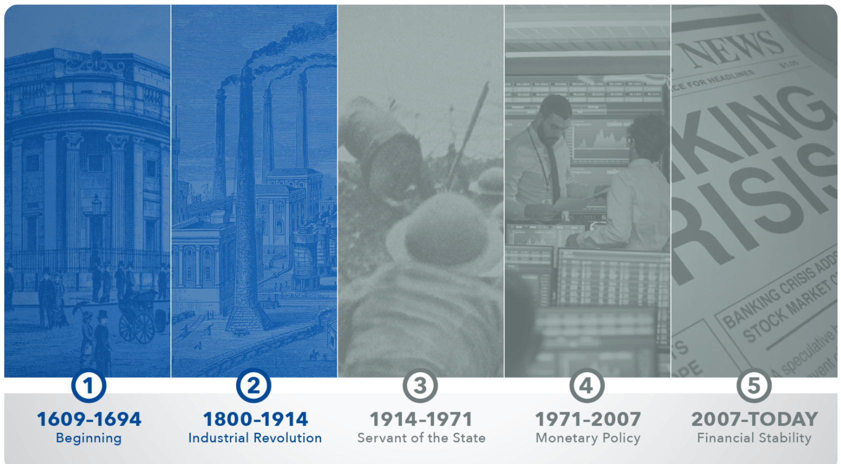
Phases 1-2 in Context

PHASES 1–2 IN CONTEXT



The phases of central banks history we focus on are:

Phase 1: Beginning, 1609–1694

Phase 2: Industrial Revolution, 1800–1914

Phase 3: Servant of the State, 1914–1971

Phase 4: Monetary Policy, 1971–2007

Phase 5: Financial Stability, 2007–today

On the previous page, we learned that, throughout the formative years of central banking, central banks could be characterized as privately owned, yet focused on two important “sovereign” tasks. Specifically, through their activities, they sought to (i) provide monetary stability and (ii) contribute to rapid economic growth. Yet, they often found themselves tied up in political forces beyond their control.

In this video, we will demonstrate how this historical legacy lives on in the governance structures of central banks today. We look at a series of passages of rules that govern decision making within three central banks and discuss in some detail how the focus on the economic roles of agriculture, commerce, and industry is reflected in the legislative underpinnings of some important decision–making bodies. This illustrates our point that, in order to understand those legal provisions, one must comprehend the historical backdrop against which they were enacted.

1.3.2 - Phase 1-2 in Context

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Let's take a closer look now at the first two phases in the history of central banks.

A key feature of phases one and two in central bank history was that the central bank's established in that era had

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