



# Bank For International Settlements Declared ‘Bastion Of Global Technocracy’

Not much is written about the secretive BIS, but this article is an exception as it recognizes it as “a bastion of global technocracy.” TN would add that the World Bank and the International Monetary Fund complete the Technocratic troika. □ TN Editor

There’s been a changing of the guard at the Bank for International Settlements, the little-known organization that sits at the heart of the world’s financial system.

Agustín Carstens, former head of Mexico’s central bank, succeeded Jaime Caruana as general manager on Dec. 1. **He’s taking charge of an institution that stands out as a bastion of global technocracy in an age of increasing transparency and growing disillusionment with elites.**

The BIS headquarters, which towers over Basel like a 70-meter stack of

copper coins, serves as a clubhouse for the world's central bankers and financial rulemakers. The likes of Mario Draghi, Janet Yellen, and Mark Carney routinely hold confidential gatherings there with colleagues from around the globe. "Maybe if it didn't exist you wouldn't invent it now, but

it plays an important role in the central banking world," says Charlie Bean, former deputy governor of the Bank of England, who co-authored a report on the BIS's research in 2016. "It's the glue that helps keep the fraternity together."

That hasn't stopped the BIS, which was founded in 1930 and is owned by central banks, from challenging the economic orthodoxy of its own members. By 2003, William White, then economic adviser, and colleague Claudio Borio were pushing for preemptive monetary tightening to avoid dangerous asset bubbles, a contrarian view that looked prescient later, during the financial crisis. It's kept beating that drum even as central bankers in the U.S., Europe, and Japan slashed interest rates to record lows and launched unprecedented bond-buying programs to fend off deflation. Borio, now head of the monetary and economic department at the BIS, argued in a September speech that central bankers may be underestimating the "generally benign" effects of globalization and technology on inflation and should rethink their response to deflationary trends. He called out Larry Summers, former secretary of the U.S. Department of the Treasury and a proponent of the "secular stagnation" theory, who argues weak U.S. growth and inflation result from a persistent shortfall in demand. Summers describes the BIS as "an important source of thinking on issues relating to financial stability and economic performance," while adding that he frequently disagrees with its conclusions. He's not alone in questioning the BIS's stance. A 2016 review of the bank's publications co-authored by Bean found the organization "doing a lot right" on the research front but expressed reservations about the BIS "generating results to support the 'house view.' "

Caruna, whose tenure began during the dark days of the financial crisis in April 2009, defended the BIS. "You may agree with what we say or not, but I think there is a value to introducing these elements in the

debate,” he told Bloomberg in November, referring to the bank’s preference for taking a medium-term, global perspective and highlighting financial stability risks. Research aside, the BIS has grown in prominence in the years of monetary policy experimentation and banking regulation that have followed the crisis. While some central banks made efforts to open up as their increasing powers drew scrutiny from voters and governments, in Basel they’ve rowed back. Jens Weidmann, president of Germany’s Bundesbank and chairman of the BIS board of directors, says sometimes secrecy is necessary. “Informed decisions on domestic monetary policy require a nuanced understanding of international developments,” Weidmann says. “The privacy of the meetings facilitates a frank and open exchange of views.”

The organization hosts the Financial Stability Board and the Basel Committee on Banking Supervision, which hash out the rules that govern the international financial system. There’s also the Global Economy Meeting and its sister forum, the Economic Consultative Committee, dubbed “the world’s most exclusive club” by Adam LeBor, author of a book on the BIS. These latter two groups convene once every two months, on a Sunday, for formal sessions followed by a dinner on a top floor of the BIS tower, which has 360-degree views of Basel and the mountains. They seldom open themselves to scrutiny from the press and the public.

The clubby, shrouded nature of the organization and the committees it hosts contrasts with efforts at greater transparency elsewhere. The European Central Bank bowed to public pressure in 2015 and began publishing the minutes of its meetings, while the Federal Reserve started holding quarterly press conferences in 2011.

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