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Esteem as Professional Currency and Consolidation: The Rise of the Macprudential *Cognoscenti*

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Professional interaction is heavily shaped by the search for and subsequent allocation of esteem. Esteem is understood in this chapter as the positive regard or estimation of one's performance by significant others, within one's immediate peer or reference group (Brennan and Pettit, 2004). Consequently, professional networks are often characterised by a seemingly invisible supply of and demand for esteem. This in turn produces a series of systematic interactions determining the allocation of this 'intangible' good, based on continuous aggregations of evaluation and ordinal rankings of individuals, groups and even organizations ongoing professional performance. The supply of, demand and competition for esteem thus results in an unspoken social professional world, that the existing literature on professions has told us relatively little about. This chapter identifies how esteem can also become a resource or currency that can be used by those who possess it to exercise professional control and influence, and crucially to consolidate a group of professionals hold on a particular issue. Esteem played a particularly important role in the rise to prominence of macroprudential regulation following the financial crash of 2008. The rise of macroprudential regulation has in turn consolidated the control of a group of regulatory professionals connected to central banks, and their series of transnational regulatory networks, over financial governance, expanding the range and scope of central banks' regulatory powers, and simultaneously casting these very same regulatory professionals and their technical expertise as the primary features of this new macroprudential regulatory project.

Professionals are defined by the editors of this volume as individuals with abstract higher-level learning and specific skill sets to address tasks. In this regard, the launch of a new macroprudential regulatory project in the aftermath of the financial crash has created a raft of new prospective skilled tasks creating a whole new growth industry for economists connected to the central banking community. Macroprudential is therefore the very definition of professional consolidation and renewal following a period of professional stress and duress. The volume as a whole employs the concept of an organizational- professional nexus in which professionals draw on organizational and professional domains at the same time, building alliances and drawing on resources from both domains as they seek to control issues and how they should be treated (Seabrooke and Henriksen, this volume, p.x). The editors conceive of this as a two level network in which professionals and organizations interact often in complex cross cutting ways. This chapter demonstrates that both organizational and professional dynamics, interactions and considerations were at play in the rise to prominence of macroprudential regulation and in the resulting institutional and policy outcomes. In the macroprudential case, organizations act as key nodal points in transnational central banking networks. These networks are a mutually beneficial resource for the members of those networks and the organizations they represent to draw on. Central banking as a transnational profession, and the central banks themselves, as well as a number of other related international organizations, have been direct beneficiaries of the macroprudential ideational shift (Baker, 2013a), in ways which have consolidated the professional hold of central bankers over financial governance and carved out new roles for a number of related organizations. Moreover, all of this is justified in terms of the expertise of key central banking professionals, their capacity to develop and hone new techniques for the measurement and control of ‘systemic risk’ and the pivotal position of constituent organizations,

which have access to market data, information, and have now had new research budgets and capabilities assigned to them for this very task by governments.

First, the concept of esteem and its relevance for understanding professional interaction is briefly sketched. Second, the organizational and professional logics involved in the rise to prominence of macroprudential regulation are assessed. Third, the professional and organizational consequences of these developments are evaluated.

Esteem and Professional Social Interaction

Professions are not homogenous social spaces and systems devoid of topography. Rather they have their own internal ecologies and social systems, which need to be more fully sketched and discerned (Seabrooke and Tsingou, 2009). Such efforts at analysis need to outline and examine the incentive structures, and systems of social interaction that constitute the internal wiring of professions, allocating goods, resources and social standing within the profession, albeit within evolving organizational and institutional contexts (Bell, 2011, Mahoney and Thelen, 2011). In this respect, professional status is linked to several factors: organizational position and formal office; strategic positioning of peer or in groups; and individual performance and the evaluation of that by significant others in one's reference group. Esteem allocation however is a fluid form of social interaction that involves constant performance acts and evaluation of those acts by others and is therefore subject to a certain degree of fluctuation. This is particularly so in the financial regulatory world, where volatile market performance and financial disasters and crashes can leave regulatory approaches and those professionals associated with them looking hugely inadequate. Esteem and the degrees in which it is allocated therefore have implications for the all

important question of how professions shape and control policy ideas and proposals. Esteem therefore becomes an important form of professional exchange and currency that is a crucial resource in its own right. In particular, changing patterns of esteem allocation were particularly important in the rise to prominence of macroprudential regulation and will be equally important in determining how macroprudential policy development proceeds.

Esteem, refers to social standing based on an aggregate positive estimation of an agent's character, behaviour and performance. Brennan and Pettit's magisterial account tells us that esteem is an evaluative attitude that involves one actor rating another; a comparative attitude, because in most cases it depends how the person compares with relevant others in the ratings given; and a directive attitude because an individual has the capacity to respond by improving their performance. Notably, esteem involves the grading of people against one another on a more or less continuous scale. Esteem is therefore allocated in degrees and the degree given will be sensitive to the comparative performance of relevant others (Brennan and Pettit, 2004). Professional networks are characterised by a subconscious competition for esteem amongst individuals, but esteem is not a good that be given away or traded in an ordinary manner, because people have to work to acquire esteem, rather than buying or selling it (Brennan and Pettit, 2004). Professional networks are therefore characterised by a system of social interaction that resembles an economy of esteem, involving both the demand for and supply of esteem, or social standing, as well as continuous rolling evaluations of individual's conduct and performance over time, resulting in a systematic allocation of esteem across the professional network (Brennan and Pettit, 2004).

Esteem, as presented by Brennan and Pettit is a quiet but powerful force, influencing and informing social interactions, which in turn distributes and allocates esteem as a good, or a

resource. Existing literature has largely overlooked how esteem can be used as a resource. In this sense, an esteemed actor will have improved access to key decision making processes within a social system, as well as having an enhanced voice, on the basis of their expertise, standing, and past performance, which will increase the number of actors who willingly listen to and digest their views and pronouncements. This can take the form of deference to argumentation, based on wisdom, experience, expertise, previous performance, or to the office that an individual holds. An individual who is widely esteemed will see an increase in their potential to steer and influence the wider social whole. In this sense, esteem is a resource that can enable an actor to more easily shape and influence debate in a given area. The rise of macroprudential regulation provides a good illustration of precisely this kind of process.

Explaining The Macroprudential Ideational Shift

The rise of macroprudential regulation after the financial crash of 2008, is an instructive one in terms of how professional cultures and systems allocate esteem and how that in turn shapes how governance issues are conceived of and dealt with. The story of macroprudential regulation is essentially, that a small inner circle of professional *cognoscenti* (quite literally those in the know, with superior or specialized knowledge), connected to the world of central banking, developed macroprudential arguments and analysis in the pre crash period. Some of these individuals found that when they tried to push these ideas in central banking networks they were actively disesteemed. Others chose to remain publicly silent about their ongoing work because they anticipated such a reaction and calculated there was little point in pursuing such arguments in public settings (Confidential interview 10/11/13). After the crash however, macroprudentialists

appeared prescient as the best performing individuals in their immediate peer group. Recognising that the wider context was now much more amenable to their arguments, macroprudentialists engaged in inter-organizational and professional networking to promote macroprudential ideas and analysis with some success. Essentially, the inner circle of the macroprudential cognoscenti exercised an insiders' coup d'etat, deposing and discrediting the prior efficient markets consensus and successfully established macroprudential as the principal post crash interpretative frame. The Bank of England has created a new Financial Policy Committee (FPC) to execute macroprudential policy and oversight. Likewise the United States has created the Financial Stability Oversight Council (FSOC), and the European Central Bank the European Systemic Risk Board (ESRB), for similar purposes. After years of disinterest, the process of building macroprudential regulatory regimes has now begun in earnest.

Macroprudential is a set of ideas about how to regulate the financial system, that emphasizes that unstable nature of financial markets due to time (procyclical) and cross sectional (complex interconnectedness) dimensions, and the endogenous, dynamic and systemic nature of financial risk (Borio, 2011a). Consequently, macroprudential regulation (MPR) argues in favour of macro level top down interventions to contain and manage systemic risk. Given, that the pre cash orthodoxy essentially devolved risk management to individual private institutions own Value at Risk (VaR) models, based on a belief that financial markets were efficient information processing and co-ordinating mechanisms, (most of the time,) that possessed growing risk management capacity based on increasing mathematical and computerized sophistication, this represents a significant ideational shift with important policy implications, including growing levels of central bank intervention in markets after thirty years of regulatory easing (Baker, 2013, 2103b). One interpretation is that macroprudential policy should moderate credit supply over the

cycle, tightening policy in a boom and lowering it in a bust, through instruments such as countercyclical capital buffers, countercyclical liquidity requirements, sectorial capital requirements and leverage ratios (Bank of England 2011, Haldane, 2013a, Aikman, Haldane and Kapadia, 2013). This focus on the macro stability of credit supply requires interventionist central banks, and the development of new policy instruments, data sets, concepts and policy techniques. Empowering regulators to engage in technical calculations and judgments to constrain systemic risk is precisely the objective of the macroprudential regulatory project. Macroprudential has become a growth industry in its own right. It requires skilled professionals and simultaneously empowers those professionals on the basis of their expertise. It also requires them to have a certain degree of policy autonomy, enabling them to take action to stem inflating financial bubbles, free from political and popular pressures that inevitably take hold during boom periods, that lead to the belief that ‘this time is different’ (Haldane, 2013b, Reinhart and Rogoff, 2010¹).

Following the financial crash of 2008, macroprudential regulation became the central interpretative frame (Blyth, 2002, Widmaier, Blyth and Seabrooke, 2007), that would be employed to redesign financial regulation in the post-crash era (Baker, 2013a, Borio 2009, 2011a). The anchor concepts of the approach, such as fallacy of composition (Borio, 2011b,) procyclicality (Borio, Furfine and Lowe, 2001, Borio and White, 2004, White, 2006, BIS 2006), herding (Hellwig, 1995, Persaud, 2000), and complex fragility (Haldane and May, 2011,) challenged many of the basic tenets of the simplified version of the efficient markets hypothesis that had become part of a wider institutional DNA in the pre crash period (Turner, 2011, Baker, 2013b). After the financial crash, reflexive critical intellectual reassessment and learning was the

¹ Some jurisdictions have assigned some macroprudential powers to finance ministries and regulatory agencies, however central banks dominate and there is a growing consensus that macroprudential policy is best performed by an independent central bank (Haldane 2013b, Aikman, Haldane and Kapadia 2013).

order of the day in elite regulatory networks such as the Financial Stability Forum (FSF), (later to become the Financial Stability Board FSB), the G20, the Basle Committee on Banking Supervision (BCBS), the G30, and amongst national regulatory agencies and central banks. A spate of specialist technical reports calling for the establishment of macroprudential regulatory regimes were published (Brunnermeir et al, 2009, G30, 2009, 2010, FSF, 2009, De Larosiere 2009, FSA, 2009). In the language of International Relations scholars this spate of reports resembled an irresistible 'norm cascade' (Finnemore and Sikkink, 1998).

Crucially however, as one of the leading pioneers of the macroprudential perspective, Claudio Borio, of the Bank for International Settlements (BIS), has pointed out, macroprudential ideas and concepts were not always popular in central banking and regulatory professional networks. "A decade ago the term macroprudential was barely used and there was little appetite amongst policy makers and regulators to even engage with the concept, let alone strengthen macroprudential regulation....This swell of support [for macroprudential regulation] could not have been anticipated even as recently as a couple of years ago. The current financial crisis has been instrumental in underpinning it" (Borio, 2009, p.2 and p.32). What Borio was giving expression to was how macroprudential ideas have moved from relative obscurity in certain enclaves of the BIS, to the centre of the policy agenda, dominating and driving the post crisis financial reform debate, in the international community of central bankers and associated transnational governance mechanisms, so that in Borio's own words, "we're all macroprudentialists now" (Borio, 2009, p.1).

The macroprudential shift involved officials from the BIS, some officials from national central banks, together with some well networked private sector and academic economists such as Charles Goodhart, John Eatwell, Avinash Persaud, Hyun Song Shin, Markus Brunnermeir,

Martin Hellwig, Jose Ocampo and Stephanie Griffith-Jones (Brunnermeier et al, 2009, Hellwig, 1995, Persaud, 2000, Goodhart, and Segoviano, 2004, Griffith Jones and Ocampo, 2006), effectively exercising an ‘insiders coup d’etat’ (Turner, 2011, Baker, 2013). Crucially, virtually all of the figures involved in instigating this insider’s coup d’etat were economists, who had not bought into the efficient markets approach and were highly critical of the Value at Risk (VaR) models adopted by large banks because of their procyclical nature (Hellwig, 1995, Persaud 2000, Goodhart, and Segoviano, 2004). In this respect, macroprudential was very much an intellectual project developed by professional economists in a series of overlapping networks. As explained by Claudio Borio of the BIS, macroprudential had been ‘evolving quietly in the background, known only amongst a small but growing inner circle of cognoscenti’ (Borio, 2011a, p.1). Following the financial crash of 2008, this inner circle saw their status and social standing rise, which not only resulted in an ideational shift in a macroprudential direction, but also empowered many of these very same professionals with a range of new powers, also creating new research programmes to support and sustain this new policy direction.

Esteem and the Macroprudential Ideational Shift

Explanations of this macroprudential ideational shift, have to acknowledge how a comprehensive regulatory agenda chimed with public sentiment and the rise of populist politics seeking punishment for the banking sector following the crash of 2008. This climate created incentives for politicians to open debates about financial regulation to include broader social externalities (Thirkell-White 2009). Intellectually, the efficient markets perspective also appeared to have broken down and was having difficulty explaining the collapse in asset values and financial

market distress (Baker, 2013a). An important background facilitating factor however, that is often overlooked, but that made the macroprudential ideational shift possible, was the changes in esteem allocation in central banking networks following the financial crash.

In the pre-crash period macroprudentialists, mainly at the BIS publicly made macroprudential arguments, but these made little headway, partly because of a wider context of financial success and rising asset prices meant that their analysis was often ignored and overlooked. The prevailing social and political context meant that BIS staff found themselves isolated in their promotion of MPR. In several well documented exchanges at the flagship event in the annual central banking calendar, at Jackson Hole, Conference of the Kansas City Federal Reserve in 2003, and at later meetings of central bankers at the BIS headquarters in Basel, Federal Reserve Chairman, Alan Greenspan was notoriously dismissive of the macroprudential analysis and arguments of both Borio and William White, who were warning of the dangers of an inflating financial boom. Other central bankers at these meetings largely agreed with Greenspan (Balzil and Schiessl, 2009), or remained silent. In relation to this latter point, the Bank of England had an in-house financial stability team working on macroprudential issues, but chose to avoid publicly discussing these matters, because of the prevailing climate of opinion, and a recognition there was little point in putting this analysis in play in such a context (Confidential Interview 10/12/13).

Despite receiving backing from sections of the BIS therefore, MPR remained relatively unpopular in the lead up to the crisis of 2007-09, and officials who had tried to promote these ideas and this approach found themselves professionally marginalized as economists out of step with prevailing sentiments. White, for example was ironically derided at the Federal Reserve as ‘merry sunshine’ due to his repeated warnings of an inflating financial boom (Balzil and

Schiessl, 2009). In other words, the social context in which White and Borio operated, was shaped by the allocation of considerable esteem to Greenspan, while their own levels of esteem suffered in the short term because they challenged a prevailing consensus. Those who choose to lean against the wind of financial market, professional and public sentiment, do so at considerable social cost to themselves. This was certainly the case for White and Borio. White and Borio were effectively disesteemed by some of the loudest and most prominent voices in central banking networks in the lead up to the great crash of 2007-08. Social pressures created by the dominant consensus, and the patterns of esteem associated with that, resulted in a reluctance to hear, or listen to contrary analyses, and this combined with a social construction of White and Borio as 'Cassandra' figures in the central banking world, particularly at the Fed. Long term, White and Borio's willingness to stand outside of and challenge the dominant consensus, did however, result in considerable esteem gains. White and Borio most certainly were not motivated by a concern for their short term esteem. Borio has revealed that he felt they could not miss the opportunity of presenting their arguments at Jackson Hole and announced this to White, urging him to go ahead and present their paper in 2003 (Balzil and Schiessl, 2009). Borio and White were led by a sense of the correctness and importance of their analysis, or 'ideational commitment' (Finnemore and Sikkink, 1998). While a short term calculation of esteem would have led Borio and White in the opposite direction, they pushed the issue out of a conviction that it was the correct thing to do (Balzil and Schiessl, 2009). Organizationally, it was far easier for them to do this as officials connected to the BIS, - an effective freestanding pool of expertise, which central banks could avail of or ignore. In contrast, officials at national central banks such as the Bank of England, felt inhibited and avoided putting their macroprudential ideas in play,

because they thought there would not be much of an audience for them both within the Bank, but also outside, particularly in the United States (confidential interview with official 10/12/13).

In this sense, behind the scenes of the financial crisis of 2008 were a subtle series of social processes that went largely unnoticed. As macroprudential norm entrepreneurs were peddling furiously in a variety of professional networks, they found the interactions and social relations within those networks were far more responsive to them than had previously been the case. As an event, the financial crash, appeared to verify many macroprudential arguments. Retrospectively, macroprudentialists, appeared prescient. Consequently, it became much more acceptable to make macroprudential arguments as these positions were associated with the best performing individuals in the central banking community during the pre crash period. Moreover, macroprudentialists made concerted efforts to mobilise and work together in the aftermath of the crash to promote macroprudential thinking and policy proposals. According to one prominent BIS official, “most of the push for macroprudential came from BIS staff and UK academics, (Charles Goodhart, John Eatwell and Avinash Persaud who were advising Adair Turner, head of the Financial Services Authority, for example,) some of whom then went to the US such as, Hyun Shin,” (Confidential correspondence with official 6/1/12). It is certainly the case that a three man team comprised of Goodhart, Eatwell and Persaud converted Adair Turner head of the UK Financial Services Authority (FSA) to macroprudential thinking months before he assumed the role, and Turner became a leading macroprudential advocate in both the FSF and the G30 (Confidential Interview 15/03/10). He was joined by Bank of England staff that were prepared to be much vocal and public of their support for macroprudential than they had been in the pre crash period. In the words of one Bank of England official, “when the balloon went up, we already had the ideas in our knap sack. We had already discovered religion” (Confidential

interview, 10/12/13). Tiff Macklem, Senior Deputy Governor of the Bank of Canada, also played a key role by chairing the key G20 Working Group, 'Enhancing Regulation,' which was pivotal in cementing the macroprudential approach as the way forward internationally amongst the official community (confidential correspondence with official 6/1/12). William White meanwhile had retired from the BIS, but during 2009 briefed the Canadian and German G20 team. He was also being cited by Bank of Canada Governor of the time, Mark Carney, as one of the leading prescient figure amongst the fraternity of economists who predicted the crash of 2008 (Carney, 2008). White also became one of the most in demand speakers at central banks throughout the world during 2009 (Balzil and Schiessl, 2009).

In this sense, the esteem of both macroprudentialists and macroprudential ideas rose after the financial crash of 2008. Crucially, macroprudentialists who had been warning about the build up of systemic risk, complaining about procyclical patterns in financial markets and pointing out that macro level systemic risk management was the missing ingredient in the existing regulatory architecture, appeared to have performed well in the pre crash period. In subsequent debates about the failure to recognise or predict the crash amongst economists and the official community, and the small numbers of voices who did recognise what was happening, White is frequently presented as a leading prescient figure (Balzil and Schiessl, 2009, Carney, 2008, Persaud, 2009). The common ground between individuals who emerged from the crisis with 'credibility', and esteemed for performing well in relation to their comparator reference group of economists and financial analysts, was that they all seemed to favour forms of macroprudential analysis and policy. The financial crash of 2008, provided an opportunity for Borio's inner circle of cognoscenti to not only offer up their ideas, but also gave them new found levels of recognition and status, which was given further momentum by mutual association. Central

bankers such as Bank of Canada Governor, Mark Carney, began advocating MPR, citing the importance of White's contribution (Carney, 2008). By esteeming White, and associating with his ideas Carney was also effectively enhancing his own credibility and esteem by attaching himself to the macroprudential label. Individuals infected one another with both their mutual esteem and various repeated iterations of macroprudential ideas and arguments. Simultaneously, the 'esteem cascade' produced by the mutual association of macroprudential advocates also produced a norm cascade (Finnemore and Sikkink, 1998). Persaud for example repeatedly highlighted the contribution of White (Persaud, 2009), while White often cited Eatwell and Goodhart as pioneering macroprudential thinkers (White, 2004).

An example of how this proceeded was evident in the case of the Geneva Report (Brunnermeier et al, 2009). Of all of the reports advocating macroprudential regulating published in 2009, the Geneva Report sticks in the mind of one prominent central banker as, 'the one, which made the biggest difference', because leading academics Shin, Goodhart and others were endorsing macroprudential regulation, enhancing its credibility (Confidential interview, 10/12/13). This example is illustrative of how academic economists and central bankers obtain mutual gains from their interactions and associations. For academic economists a stint at a central bank can be good for their CV, lends prestige and demonstrates policy relevance, or impact. For central bankers, association with and approval of academic economists lends authority, rigor and credibility to their work and projects. The Bank of England, for example, hired Hyun Shin, professor of finance at the LSE as a consultant to help develop the Bank's macroprudential thinking in the pre crash period (Confidential interview 10/12/13). In this respect, central banking is increasingly characterized by an observable process of scientization, a striking intellectualization of the world via formal analysis and mathematical abstraction

(Marcussen 2006). Modern central bankers make epistemic alliances with other members of the scientific brotherhood; their research departments finance their own scientific journals and conferences as scientific credentials enhance careers for central bankers, who increasingly possess doctoral and postgraduate degrees in economics and engage directly with the scientific community (Marcussen 2006: 9). Central bankers and leading macroprudentialists such as the Bank of England's Andrew Haldane obtain enhanced prestige by collaborating with academics, and not just economists, but also natural scientists, such as Zoologist Robert May and publishing in leading science journals such as Nature (Haldane and May, 2011). One consequence of this 'scientization' is that central banks' organizational, territorial, and cultural boundaries are blurring as co-equal central bankers work closely together from project to project (Marcussen 2006: 10). From this perspective, central banking is increasingly comprised of 'knowledge communities' constructed around inter-paradigmatic discussions about theory, methods, and data. We have seen how this was evident in the rise of macroprudential regulation as a number of economists and central bankers worked together to effectively exercise an insiders coup d'etat and to depose efficient markets thinking and build a coalition supporting efforts to construct macroprudential regulatory regimes. Such a strategy was eased and facilitated by these individuals rising esteem, and of the ideas and concepts they carried.

Organizational and Professional Consolidation

Following the financial crash of 2008, central banks, economists and their networks, resembled a policy community under stress (Tsingou, 2010). Pre-crash regulation came under scrutiny. The pre-crash approach focused on microprudential supervision and notions of efficient markets,

were discredited not least because of the prevailing material context and the macroeconomic effects of the crash, which were equivalent to a year's lost output in the US and the UK (Haldane, 2012a). As existing studies have pointed out a reflexive critical approach from within the established regulatory and central banking policy community opened up the regulatory debate by critiquing the existing efficient markets position (Engelen et al, 2011). Crucially however, this reflexive approach and critique also allowed elements from within the existing transnational central banking policy community to not only exercise an insider's coup d'état, but also to consolidate the hold of central bank professionals on financial regulatory policy and carve out new roles for their constituent organizations.

Macroprudential is resulting in the institutionalization of new forms of macroprudential expertise, involving a new expert division of labour (Abbott, 1991), entailing routine data collection on financial market activities and new macroprudential modeling, (expertise in commodities in Abbott's language), expertise encoded in organizations and bureaucracies – primarily the research divisions of central banks and at the BIS and FSB, and through new macroprudential policy committees (FOSC US, ESRB, EU and FPC, UK). Macroprudential knowledge formation is now a priority and efforts are underway to more fully develop relevant data sets and policy instruments. Key professionals in these networks repeatedly emphasise that the science in this area is at an early stage, needs to be developed and remains largely untested (Aikman, Haldane and Nelson, 2011, IIF, 2011). When the BIS, the Financial Stability Board (FSB) and the IMF, submitted a report to the G20 on the progress of the macroprudential project in November 2011 they cited 24 policy and research papers with a macroprudential theme produced by those institutions alone since the start of 2010. In Spring 2010, the ECB and European System of Central Banks (ESCB with its 27 members) launched the Macroprudential

Research Network (MaRs) to develop core conceptual frameworks, models and tools that provide research in order to improve macroprudential supervision and research. To date the ECB has hosted two MaRs annual conferences and MaRs involves more than 180 researchers from all EU national central banks and the ECB. They are working on 126 individual projects (64 in work stream 1, 41 in work stream 2 and 21 in work stream 3) and two joint cross-country projects involving multiple central banks. Academics participating in MaRs activities are not just confined to European universities, but include a range of staff from Ivy League US institutions. The MaRS network is also encouraging teaching and research in universities to reflect macroprudential concerns, particularly assessments of macroprudential regulatory instruments. Meanwhile, the Bank of England has launched its own macroprudential research division and strategy team. Macroprudential knowledge formation is consequently a professional growth industry at central banks and the effects of the macroprudential ideational transformation has also been to change professional norms and activities. This change has itself therefore been constitutive of the professional environment.

The rise of macroprudential regulation propelled by ‘an inner circle’ of cognoscenti is in this regard a tale of professional reconfiguration. This has involved prominent macroprudentialists calling for change in the economics profession more generally. The Bank of England’s Andrew Haldane for example has argued that economists succumbed to an intellectual virus of theory-induced blindness and has called for an intellectual reinvestment in models of heterogeneous, interacting agents, following in the footsteps of other social sciences (Haldane, 2012b). Adair Turner has talked of the need to reconstruct economics as a discipline challenging the free market simplicities of rational expectations and efficient markets hypotheses, which in the policy world translated into a simplified version of equilibrium theory, with market completion seen as

the cure to all problems and mathematical sophistication decoupled from philosophical understanding as the key to effective risk management (Turner, 2011). Crucially, being critical of their own home discipline, - economics – and seeking to address identified intellectual failings, has indirectly allowed a new cadre of macroprudential economists to keep control of debates on financial regulation. Ultimately, no rival profession launched a bid to become ascendant in financial regulation, following the financial crash of 2008, and central bank economists, in conjunction with some academics maintained their ascendancy by critiquing factions of their own profession and the VaR modelling undertaken by private sector financial risk professionals.

Macroprudential has become a new professional activity in its own right. With this has come a potentially much more expansive role for central banks. The immediate beneficiaries of the macroprudential project are often the very central bank officials and economists who have pushed for it. In this sense, the macroprudential project essentially seeks to empower a new cadre of technocrats and price engineers (Baker and Widmaier, 2013). Countercyclical capital buffers for example, require regulators who have the capacity and capability to identify normalized paths of credit to GDP and deviations from that path, based on extrapolations from previous evidence and data. Further, they will also be required to reach judgements on the precise calibrations of new macroprudential policy instruments and how they should be scaled up or down to reflect particular identified phases of the credit cycle. Such a process clearly depends upon the technical capacity of regulators to reach such calculations, the data sets and data collection techniques they have to hand, and some discretionary powers to reach judgments on how policy should be adjusted. Empowering regulators to engage in such technical calculations and judgments is therefore one of the outcomes of the macroprudential project. As Andrew Haldane, reflects, “if there were a benign enlightened regulatory planner, able to redirect competitive forces, this could

potentially avert future tragedies of the financial commons. Fortunately there is" (Haldane, 2012a, p.12). 'Technocratic mastery of financial markets,' driven by a desire to open new possibilities for control of complex adaptive financial networks, through mathematized control technologies is therefore an objective of the macroprudential project (Erturk et al, 2011). Consequently, central bankers are currently wrestling with multiple, intersecting issues concerning measurement, mapping and devising new practices of intervention. Transnationally, this has meant that central banking networks such as the Basel Committee on Banking Supervision (BCBS) have remained central in the development of international notions of best practice in macroprudential regulation. Likewise, the Financial Stability Board, as a collection of international and national agencies, in which central banks and economists have a dominant presence, have been charged with the task of reporting to G20 leaders on the development of macroprudential policy. Organizationally, the macroprudential ideational shift has allowed central banks and their constituent networks to retain control over post-crash regulatory governance. The macroprudential ideational shift has therefore resulted in a process of professional consolidation.

Professional consolidation has also been accompanied by organizational consolidation. This has been most evident in the case of the BIS. The staff of the BIS were early macroprudential pioneers and as an organization the BIS did more than any other to drive the development of macroprudential concepts and analysis. As histories and literature reviews of macroprudential reveal, the BIS is indelibly associated with macroprudential and has some claim to institutional ownership of the concept (Clement, 2010, Galati and Moessner, 2011). The rise to prominence of macroprudential has organizationally consolidated the BIS's role as source of analysis and support to central banks precisely because of this history. As the organization with most

experience of macroprudential analysis and concepts, and as home to a number of the most highly esteemed macroprudential experts, the BIS has secured its role, as a major source of research in the new growth industry of macroprudential. It has organizational esteem in this area and emerged from the crash as one of the best performing organizations, because of its pre-crash analytical track record. Quite simply on macroprudential issues, what the BIS thinks matters.

Conclusion

This chapter has shown that esteem and its allocation are a key professional currency and resource. The rising professional esteem of individual macroprudentialists after the financial crash of 2008, enabled an inner circle of macroprudential cognoscenti to exercise an insider's coup d'etat, critiquing and displacing the prior efficient markets consensus. In its place a new macroprudential ideational frame has emerged, which has spawned a new growth industry at central banks and their constituent networks. Energies are now focused on constructing the policy instruments, techniques, data collection and research programmes to make macroprudential regulation operational. One interpretation of this spate of activity is that macroprudentialists have essentially invented and manufactured new areas of expertise. Macroprudential technocrats framed the financial crisis in terms of the intellectual failures of the efficient markets position and a failure to understand systemic dynamics. In this way they forced open the argument about the re-regulation of finance through carefully assembled arguments and persuasion (Engelen et al, 2011, p.199). With this has come a potentially much more expansive role for central banks. The immediate beneficiaries of the macroprudential project are the very central bank officials and economists who have pushed for it, as the macroprudential project

essentially empowers a new cadre of technocrats and price engineers. The rise of the Macroprudential cognoscenti has in this sense represented a classic case of professional consolidation and strengthening, at a time when that profession was potentially under crisis, stress and duress.

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