



## **The Politics of Central Bank Reform**

### **Post-financial crisis institutional reform in the USA and UK**

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**Ph.D. thesis defence on 23 June 2020 (via video)**

#### **Abstract**

The prudential role of central banks has been greatly strengthened since the 2008 financial crisis. Yet domestic institutional dynamics have produced significant divergence in institutional reform. This thesis examines central bank institutional reforms in the United States (US) and United Kingdom (UK). These cases were selected due to variation in the institutional outcomes. The thesis controls for a variety of potential sources of institutional variation, such as the size of the financial sector, the impact of the crisis, changes of government, and central bank independence. Five propositions are suggested to explain how the institutional reforms are facilitated: by institutional constraints; by bureaucratic politics; thorough the self-interest of politicians concerned with electoral reward; in response to lobbying by the financial industry lobby; or in response to proposals from an epistemic community of regulatory experts. The case studies find that the number of political institutional constraints and the structure of bureaucratic power produce distinct modes of institutional change and explain the variation in institutional outcomes. The framework is applied to a comparative analysis of central bank reform in the US and UK. Prior to the 2008 US and 2010 UK general elections, the mains candidates and political parties attempted to deflect blame for the crisis by putting forward competing visions of institutional reform. This thesis argues that high veto possibilities and diffuse bureaucratic power in the US forced the Obama Administration to leave the existing architecture in largely place, while circumventing opposition by creating new institutional structures

(institutional layering). In contrast, low veto possibilities in the UK facilitated institutional displacement; but by concentrating bureaucratic power, it also enabled the central bank to reshape reform in line with its own interests (institutional subversion). The findings provide new insights into the endogenous political and bureaucratic drivers of post-crisis administrative reform.

## **Jury:**

Pepper Culpepper, Oxford University/formerly EUI (Supervisor)

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## **Bio**

Harpal Singh Hungin has extensive experience in prudential policymaking. His current areas of policy interest are operational resilience, and the financial stability implications of systemically important financial market infrastructures. Harpal's primary research interest is in the politics of financial regulation; post-crisis institutional reform; and the role of central banks since the global financial crisis.