

## Should central banks have a 'representative of the poor'?

Written by The Conversation

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The Reserve Bank of Australia should have a board member whose job it is to “represent the poor”, says Catholic Social Services Australia in a [report released this week](#) .

This [hasn't been tried before](#) but it's an interesting proposal and worth considering – particularly as recent central banking programs like [quantitative easing](#) have inflated the value of assets belonging to the very rich, [exacerbating inequality](#) and even [threatening democracy](#) .

The report is part of [a continued effort](#) by Catholic Social Services Australia to draw attention to those disenfranchised by an increasingly [winner-take-all society](#) .

In fact, the entire notion of “trickle-down economics”, in which poorer sections of society supposedly benefit from policies that help the rich, is [increasingly disputed](#) .

### Central bankers overlook inequality

Central bankers historically [have not considered economic equality to be a key concern](#) , and have been described (somewhat generously) as “[innocent bystanders](#)”. This does not really make sense, as central bank policies have [statistically significant impacts](#) on aspects of inequality including household income and consumption.

Central bankers [tend to have a narrow focus](#) , restricted to managing a small set of macroeconomic variables, and inflation in particular (which they refer to as “price stability”). Unfortunately, even after the global financial crisis, many central banks have [continued to focus](#) on inflation at the expense of a more complex economic picture, including inequality.

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Central bankers are also very conscious of the need to [maintain credibility](#) . This involves presenting the board of a central bank as a group of “experts” with a long-term economic focus. Their expertise [tends to be heavily tilted](#) towards traditional economics, and they are influenced by [traditional economic ideologies](#) that do not emphasise inequality.

For example, central bank policies that focus on inflation and economic output (GDP) are limited by the fact that they [do not capture](#) the nature of unequal social conditions.

As we can see from the minutes of [central bank board meetings](#) , members do disagree and [resent dissenting views](#) . However, having a representative for the poor on the board would [challenge](#) the [general consensus](#) in a new way.

### A seat for the poor

In arguing for a “seat for the poor” there are several elements that need to be unpacked.

The first is the question of central bank [accountability](#) . Having a seat for the poor means that there would be a person on the board constantly questioning and challenging the other members. This is known as [horizontal accountability](#) because it is a type of [oversight among equals](#) .

As central banking involves involves deliberation among policymakers of equal rank, horizontal accountability can be an effective way for them to regularly check one another’s actions. If an “ambassador of the poor” regularly questions other board members it could keep them on their toes even if it doesn’t always sway their decisions.

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The next question is around the tools and metrics that a board member representing the poor would use to present dissenting views. If the board member draws on [the usual metrics](#) that [central bankers monitor](#), such as labor market figures and [general price levels](#), they might arrive at similar viewpoints to their peers.

On the other hand, if this board member used [metrics centered on inequality](#), it could be extremely beneficial to the deliberations and help to [realign policy](#). These metrics could include [income distribution](#), [savings behaviour](#), [welfare dependency](#), and [socioeconomic variables](#) - including healthcare and education outcomes.

How would we pick a representative of the poor? How would this person display and maintain their professional credibility? How would they juggle broader macroeconomic concerns with their own ideological inclinations?

The idea that a person [appointed by the church](#) should intercede in deliberations over monetary policy is antiquated at best. So the mechanisms for appointing such a person need to be carefully addressed.

## Where the poor really need representation

The past few years have shown that [central bank policy](#) has a [large impact](#) on inequality. If anything, in [Western countries](#) [West](#) it has made [inequality much worse](#), as the benefits of stimulus programs have [disproportionately gone](#) to the very richest.

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But it is actually [fiscal policy](#) (otherwise known as government taxation and spending), and not central bank policy, that is [the best tool](#) for addressing inequality.

This is because [decisions](#) on [taxation](#) and [payments](#) are a more direct method for addressing inequality. Progressive programs such as [basic incomes](#), [universal healthcare and public education](#) directly impact peoples' lived experience.

If anything, it is fiscal policy that most needs a “representative of the poor”.

Fiscal policy is so [objectly political](#) and so [deeply entrenched](#) that a “depoliticized” fiscal regime only exists in the [fantasi](#) [es of academics](#) (my own [included](#) ).

Nevertheless, if we want to [make a real dent in inequality](#), it is only possible when fiscal policy is [fully committed](#) as well.

*Usman W. Chohan does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.*

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