

A bank for central banks

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In the 1930s, the BIS developed the functions that would define it for the rest of the century. It accepted deposits from central banks in gold and currencies, invested them in short-term assets and paid interest. It conducted gold operations for central banks, holding gold for their account and transferring it between them by changing the entries in its books, so that gold held in London or Bern could change ownership without being physically moved. It acted as agent for the international loans of the Dawes and Young Plans, collecting and distributing the interest payments. And it organised the meetings of central bank governors and experts that made it the club of the central bankers.¹

The BIS also developed a research function. In 1931, the Swedish economist Per Jacobsson joined the bank as economic adviser, a position he held until 1956, when he became managing director of the International Monetary Fund. Under Jacobsson, the BIS published annual reports that analysed the international monetary and financial situation and became an authoritative source of information and opinion for central bankers.² The economic department of the BIS, whose annual report is still one of the most widely read publications of the international financial community, has its origins in this period.

The functions of the BIS in the 1930s anticipated the modern infrastructure of international finance. The transfer of gold by book entry among central banks is a precursor of the modern settlement systems for payments and securities. The pooling of central bank reserves and the cooperation in times of crisis are precursors of the swap lines among central banks that played a decisive role in the financial crisis of 2008 and the pandemic of 2020. And the confidential meetings of central bankers are the origin of the network of committees that the BIS hosts today.

1 Notes

1. On the banking functions of the BIS in the 1930s (deposits, gold operations by earmarking, agency for the Dawes and Young loans), see Toniolo, 2005. To be verified. ↩
2. On Per Jacobsson (1894–1963), economic adviser of the BIS from 1931 to 1956 and managing director of the IMF from 1956 to 1963, and the BIS annual reports, see Toniolo, 2005; the BIS publications. To be verified. ↩

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