Till Time's Last Sand: A History of the Bank of England 1694-2013

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This book was commissioned by the Bank of England, when Mervyn (now Lord) King was Governor. The aim was to produce a popular history of the Bank, an institution important in Britain since its inception. If it was intended to be a popular volume, the kind that flies off the shelves in bookshops, I hope that I'm right when I say it will not. If a book the size of this one started to fly about bookshops serious harm would be done: it is longer than Friedman and Schwartz's *Monetary History of the United States*. David Kynaston expects a great deal of the general reader.

Indeed, although the book is in many ways admirable and interesting, I am not sure how well it hits its general reader target. Let me first summarise the book and then the two perspectives from which I can read it, before setting out what I see as good and what I think less good. (There is nothing I think to be bad.) There is a prologue on the motives behind, and early discussion of the need for, a Bank of England. Part one then covers the years 1694–1815, a period containing many excitements beyond the bank's foundation; part two the years to the outbreak of the First World War. Part three carries us on to 1946; and finally part four takes us to 1997. There is then a postscript, written without access to the Bank's archives, on the run up to and events of the financial crisis which started in 2007 and whose effects are still being felt not just in Britain but around the world.

Kynaston's division of the period is that used in his history of the City. There is merit in having that same division, but it would have been worth considering one more related to the history of the Bank. Part Two could have been divided into before and after the Overend Gurney crisis, an episode crucial to the development of the Bank's lender of last resort role; part three might have been separated into before and after the abandoning of gold; and part four into before and after floating exchange rates, or perhaps before and after 'independence'. Such a division would I think have helped bring out key institutional and political changes.

The whole book is gracefully written. But that does not mean it is always easy to read. My academic training was as an economist. I have worked, with colleagues, on some economic history, but none of it earlier than the very end of the 18th century. Thus the first part of the book finds me most of the time pretty well the amateur reader this book is aimed at, although one with an occasional economic view.

That first part – prologue and section one – is frustrating. There are many interesting quotations from contemporary observers of the founding and early years of the Bank. But there is no clear narrative thread. Essentially, it is just one thing after another. Quite often the lack of context left me puzzled, and indeed, there were terms used which, though I am an economist, I had to look up. It is too demanding of the general reader that they be expected to understand the difference between a joint stock company and a limited liability company, and although David Kynaston implies they differ he does not tell us how. Many of the quotations do draw the reader along. A good example is that on page 15 summarising the death of Michael Godfrey, deputy governor of the Bank. That's actually a good example. It's very entertaining in a slightly macabre way, but it tells nothing about the development of the Bank – it does not advance the story. There are many quotations like that, all worth reading, but all contributing to making this a book easiest to read at a desk.

Sticking with such points, why was Henry Pelham, a chancellor of the exchequer in the 1740s, underrated, and by whom? And then we jump about – on page 45 we leap from Adam Smith's very favourable review of the Bank's activities in time of war to a discussion of the personal characteristics of the Bank's directors, and of some of its staff. Again interesting, with vivid quotations, but why? If it adds to the story of the Bank, guidance as to how it does so would have been useful.

Chapter two sees us to the outbreak of the wars with France, and there ends. Chapter three is largely a guide to the development of the actual Bank building. I enjoyed this a lot, but I would have enjoyed it even more if there had been some plans of the changing structure of the Bank, and a few maps showing how its spread and location gradually changed. (There are photographs in the book, but with one exception they do not for me add anything.) In chapter three we also get quite a bit about the behaviour, actual and expected, of Bank staff, but we are left to infer that banknotes were not at all as we know them today but changed in 1791. Following a certain amount of scandal they changed from notes written out on the spot by the teller to ready prepared notes, the predecessors of those we know now. Nor are there comparisons made between standards of behaviour at the Bank and elsewhere in the City. The importance of gold losses can be deduced in chapter four, but not nearly enough is explained for the interested layman. I say that with confidence as I know that had I not done some work on key events in this period with economic historians, I really would have had very little idea as to what was going on and why it mattered.

With all these complaints, though, there are some incidentals I would certainly say merit their inclusion. For example, the Bank was much troubled by counterfeiting. Punishments were severe, but much charity was shown to some of those convicted. The Bank showed great consideration to those about to be transported. This, usually in the form of providing financial assistance to those who requested it, was particularly willingly and liberally given to women, who often had children to support. It is pleasing to see a harsh law at least partially ameliorated. In contrast, Kynaston's discussion of the Bullion committee and its conclusions is scanty, suggesting a lack of interest on his part. That committee's work is still relevant today, and deserved a more thorough treatment. There is also a contrast made between economists, as Kynaston calls Thornton, Ricardo and others, and practical men. Maybe many today would concur with such a contrast, but it does not recognise that those he implies were ivory tower economists were in fact practical men. One of them, Thornton, was probably the most respected banker of his time as well as a writer on monetary economics of whom Hicks wrote that he 'knew everything', and Ricardo was a most successful dealer on the stock exchange as well as one of the greatest economists ever to have lived.

On Overend Gurney we get a lot of detail, all interesting, but there is little on how important that episode was. It can very reasonably be claimed that the Bank's reaction to that episode, and its subsequent statements on its behaviour during it, meant that the Bank had finally and fully accepted the responsibility that had been urged on it by Henry Thornton, Thomas Joplin, and Walter Bagehot. That is to say, it had committed itself to being a lender of last resort to the banking system. Doing so significantly stabilised the British banking system, and was a precedent for other central banks (for example, the Banca d'Italia actually cited what it called the Bagehot Rule in its Report and Accounts for 1907, in which year it committed itself to being a

lender of last resort). Furthermore, it meant that the Bank had by 1866 the dual responsibilities it has today, the maintaining of monetary and financial stability. These functions were rather more clearly specified then, it can be argued, than they are today; but the point stands. It is to be hoped that no foolish Chancellor of the Exchequer adds to these responsibilities: the Bank has the tools to achieve these, but other mooted objectives are entirely outside the Bank's control, and adding them would both lessen the Bank's focus and make easier the undermining of the price stability commitment.

A summary judgement so far, roughly a quarter-way through the book, would be that it is fascinating on the political and social history, but does not give enough economic history to make clear why the other history is not just interesting but also important. Is that complaint sustained on reading part three, on the years from 1914 to 1946?

These were years of extraordinary turmoil: revolution, two World Wars, the greatest depression in recorded history, hyperinflations, and the collapse of a monetary standard that had spread over the world during the previous two centuries. With such drama going on, the choices facing the biographer of a bit player in these events are not easy. I did not envy David Kynaston here. But he solves the problem brilliantly. This is for me the most absorbing and enjoyable part of the book. The Bank's role is set briefly in the economic and historical context, and then we learn about the Bank – its staff from high to low, the relations of Bank and government, the Bank's international contacts, efforts, and discussions, and the Bank in time of war. My only reservation is about the economic context. David Kynaston is too dismissive of those who argued for the gold standard against 'managed money'. Perhaps the world was not ready for a return to gold. Judgement on that may have been faulty. But it is certainly clear that the hopes for a discretionary monetary policy that Kynaston describes and implicitly shares were not fulfilled. The appropriate comparison is not of gold with an imaginary monetary regime, but with what actually happened.

Of course the main subject is the Bank. It is hard to select highlights from this section, but Cunliffe (Governor until Montagu Norman succeeded him in 1920) is brilliantly sketched, often by quotation of his words. For example, on passing Norman in a corridor: 'There goes that queer looking fish with the ginger beard again. Do you know who he is? I keep seeing him creeping about this place like a lost soul with nothing better to do.' Norman did, though, have things to do. When Benjamin Strong, governor of the Federal Reserve Bank of New York, visited London, Norman spent some time with him out of duty, and extended it out of pleasure. Strong and he fairly rapidly became warm personal friends, which was helpful, as Cunliffe did not remain Governor much longer. In July 1917 he attempted to block government access to the Bank's gold. Understandably the Chancellor was not happy. Relations were patched over, but soon, in September, we find a Bank director writing of the Governor 'No longer sane – if he ever was'. Strong returned to London in July 1919, when he stayed with Norman in his house on Camden Hill. There were discussions in correspondence between the two of the importance of trade and of central bank cooperation for the world economy. Norman also espoused these principles with Germany, doing his utmost to encourage substantial reconstruction loans, and supporting Schacht in all his economic as well as political difficulties. He also encouraged the engagement of the clearing banks in domestic investment, and supported as best he could London as a financial centre. He may not always have been an easy man – reading the views of Churchill on him is very entertaining – but he was devoted to the Bank, and to doing the best he could to support the British and world economies. Kynaston does this great but sometimes difficult man full justice.

In the next chapter we focus on the internal affairs of the Bank, including the difficulties created by the need for large numbers of not very skilled staff for the occasional burst of work. This is a chapter which tells us a lot about a large organisation, and contains many jewels. For example, we learn that the printing works (bank note printing) moved from the Bank building to Old Street, one mile away, where it was located '...inside the former St. Luke's Hospital for Lunatics'. No doubt some at the Treasury said that the main Bank should have been there, but Kynaston does not confirm this. There was also Bank rebuilding, the maintenance of paternalistic management such as the retention and development of the Bank sports ground, and, in part a relic of War, the number of women on the staff increased substantially. Incidentally, Kynaston tells us at one point that 'Ben Strong' visited the sports ground; I think he is the first person ever to contract

Strong's first name, and he only does it once. Did he receive a warning from the grave?

Chapter twelve covers developments after the final abandoning of Gold in 1931. The Bank's authority had been weakened and there was much criticism of it, inside and outside parliament, both of what it did and what it did not do. For example, in *The Middle Way*, published in 1938, Harold Macmillan argued that the Bank be made a public institution so that it could 'influence the direction of investment'. Another indication that any scheme described as a 'Middle Way' or a 'Third Way' is sure not just to be muddled, but wrongheaded to the fringe of lunacy.

Nonetheless nationalisation of the Bank was urged from almost all quarters. By Siegmund Warburg the banker, by Emmanuel Shinwell the Labour politician, and by Robert Boothby, who at least claimed membership of the Conservative party, as well as by many others. The Bank was the first nationalisation of the post-war Labour government. Before that, though, Norman had retired, his intended retirement advanced a little by illness. He was the longest ever serving governor, and is likely to remain so. Had she known that, it might have comforted his mother, who wrote 'They should have let him finish his twenty-five years'.

But I must move on to part four, otherwise I am in danger of producing an imbalance almost as great as that of this book, where close to half (pages 401–786) is given to the latest 60 or so years of the Bank's over 300-year life. David Kynaston faced the same problem here as in part three – the Bank was nationalised. Did it remain even a bit player?

It certainly did that, fighting in the early years after the War to maintain its role in the City and its role in markets, the latter justified by its accumulated expertise. David Kynaston writes well on this, with many insights into, for example, the difficulties of appointing a Governor, and the changed role of the Court. It is notable that some Government appointments to Court did not seem to realise what the Bank was. Lord Robens, for example, spoke with satisfaction of his making Court more like the board of a normal company. How it could be, since the company's most important 'product' was monetary policy, is not clear. To be fair, other more traditional members of court seemed to lack discretion at least to the extent that he lacked understanding.

The really important matter though was economic policy. Here David Kynaston goes adrift in the early years, not by anything he does, but rather by a cast of mind a little inclined to take the Treasury at its own valuation. It is consistently presented as forward looking, full of intelligent civil servants and economists, whereas in fact the Bank had few or no economists in these early post-war years. Despite that the Bank seemed to have a better grasp of basic economics. It understood both that if national expenditure exceeded national output there would inevitably be a balance of payments deficit, and that attempts to control money and credit without use of interest rates were bound to fail. If the Treasury did understand these things, it failed to persuade its ministers. Indeed, for many of the years of this final section it would not be unfair to paraphrase Churchill, and say of the Treasury that seldom in the history of economic policy have so few been so wrong about so much.

David Kynaston starts chapter 14 with a most engaging understatement. 'The Bank and the Tory government of the early 1970s did not prove to be a love match.' After a brief and promising start, it became clear that Edward Heath and his chancellor Anthony Barber were seeking to rival the record set by the White Queen in 'Alice', and believe six impossible things before breakfast. The notorious Barber boom was one consequence, and the replacement of Edward Heath by Margaret Thatcher first as leader of the conservative party and then as Prime Minister another. Her first meeting at the Bank appears not to have gone well – in a way which surprised me, given the eagerness to learn I encountered when she came to a City firm I advised at that time. There were efforts, not wholly successful, at monetary control, and almost continual stress and concern. The best demonstration of these for me was actually a photograph – Gordon Richardson as Governor, in 1973. Pressure must have been desperate indeed for him to look, although seeming calm and relaxed, in need of a haircut.

But we must hasten to a conclusion. Nigel Lawson's speech when he resigned as Chancellor opened the discussion of the Bank getting freedom to conduct monetary policy. Discussions of that continued after Lamont had succeeded Lawson and Britain had left the ERM. In an appropriate metaphor, Kynaston remarks that despite the then Prime Minister's objections to the idea, Leigh-Pemberton, then governor, and Kenneth Clarke, then Chancellor, continued to 'bat around' the idea. It had to await the Blair-Brown government to be implemented, though. Almost simultaneously the Treasury managed to get debt management for itself (at last was no doubt the view of the Treasury) and almost immediately afterwards, despite the Chancellor's implication in statements to Eddie George, then Governor, the Bank lost responsibility for banking supervision. It is not just in princes in whom we should not put our trust.

The book proper concludes with the implementation of the decision to give the Bank independence to conduct monetary policy subject to the Government choosing the objective, and the division of the Bank's responsibilities.

What is a fair overall judgement of this volume? For a general reader there should have been a little more economic explanation, a recommendation admittedly hard to reconcile with my other recommendation that the book should have been shorter. This is a gallant attempt at a history of the Bank for the general reader; but it misses its target.

Other reviews:

Guardian

<https://www.theguardian.com/books/2017/sep/12/till-times-last-sand-review-david-kynaston-bank-of-england> [2]

Financial Times

<https://www.ft.com/content/5cbc75ee-8d8e-11e7-9084-d0c17942ba93> [3]

Times

<https://www.thetimes.co.uk/article/review-till-times-last-sand-a-history-of-the-bank-of-england-1694-2013-by-david-kynaston-c7zd57x6z> [4]

Kirkus Review

<https://www.kirkusreviews.com/book-reviews/david-kynaston/till-times-last-sand/> [5]

Telegraph

<https://books.telegraph.co.uk/Product/David-Kynaston/Till-Times-Last-Sand--A-History-of-the-Bank-of-England-1694-2013/21231740> [6]

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