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Till Time's Last Stand or How Standing Still is Valuable but Uncomfortable

There are lots of histories of the Bank of England, but few that are likely to hold a general reader's interest. More accurately, few bring out the passions, intelligence, public spiritedness, self-interestedness and foolhardiness with which real-life central bankers conduct struggles for and against ideas, each other, government ministers and mandarins, banks and other private actors, public soothsayers, let alone the vicissitudes of the economy and finance. And perhaps even fewer histories bring out what those struggles are often really about: central banking's purpose and place in government.

It brings delight, therefore, to find that David Kynaston's history of the Bank of England's first three hundred years gives rich colour to the contest. As well as the obvious cast list of Prime Ministers Walpole, Pitt and Peel, David Ricardo, Walter Bagehot, Montagu Norman, Maynard Keynes, Benjamin Strong and Lord Radcliffe (he never seems to have a first name), we meet, to name only a few, the Hoares (opponents), the Thorntons (Governor and commentator brothers), the Gurneys (rebellious but, as it turned out, needy bankers) and, to mention only two insiders, Thomson Hankey (Bagehot's critic), and George Bolton (a rebuildler of international markets after WWII). Alongside them are cameos from characters as far afield as philosopher John Locke (an initial subscriber to the private Bank's stock) and leading 20th century trade unionist and later foreign secretary Ernest Bevin (a member of the MacMillan Committee set up after the 1920/30s monetary mess).

Meanwhile, the parade of Threadneedle Street leaders who provide the book's stars (an epithet most would have hated) have one big thing in common: liberal internationalism, going back to the Bank's origins as a Whig project in the late 17th century. Having survived the South Sea Company attack and accommodated itself to Tory rule during the 18th century, it was reformed by

a Tory Prime Minister in the early 19th century (Peel), marginalized after failing Churchill, thwarted in its desire for independence by Thatcher, only to be made more powerful than ever in 2012 by Cameron-Osborne. In parallel, Labour administrations travelled from apprehension (MacDonald), through nationalization (Atlee) and suspicious disdain (Wilson), to empowering the Bank in order to harness it, via a clever but incomplete act of institution building (Blair-Brown).

As that catalogue suggests, somewhat more than half of the book puts on display the extraordinary arc of the Bank's long-20th century history: from the heights of Norman's guardianship of the international gold standard, through the listless wilderness years as the Treasury's East End branch, to today's delegated steward of price and banking-system stability.

Through much of this runs a rich sub plot of seemingly never ending fencing (sometimes feuding) with Treasury mandarins (and occasionally ministers). In some of the book's best chapters (13 and 14), Kynaston brings to life the series of Governors (among them the impressive Cameron Cobbold) who wrestled in the decades following WWII to revive a role for monetary policy and, more important, to reassert the value of price stability in the face of a rampant and intellectually superior Treasury. The impression left is that, by the standards of today, generally the right battles were fought, but sometimes by the wrong people, many of whom did not know the economic theory skillfully marshalled by their George Street counterparts. But as the central bankers strained to defend their convictions, that theory --- essentially, that there is an exploitable long-term trade-off between inflation and prosperity --- was being overturned by future Nobel Prize winners Milton Friedman and Edmund (Ned) Phelps (which perhaps doesn't come out strongly enough in the book). Monetary stability was coming back into fashion and, with Bretton Woods smashed to pieces in the early-1970s, proper domestic central banks were needed again.

In the three decades that followed, monetarism withered but that broader reorientation of policy persisted and, so, the modern Bank of England was gradually built under Governors Richardson and, especially, Leigh Pemberton, George and King, a story warranting its own book. How the Bank sought, and

sometimes struggled with itself, to become economically expert without becoming beholden to the latest doctrine, and to combine the rigour needed for monetary analysis with the agility needed by the lender of last resort, is well told by Kynaston, but will forever be a challenge.

Notwithstanding those twists and turns, one recurring theme shines out from *Time's Last Stand*, connecting 1694 with 1997 (and 2012): the Bank as a commitment device. In the early years, the purpose was to make credible the emergent British state's ability to finance its deficit (and so conduct war), by acting as, first, an investor, later a backstop buyer of government bonds, funded by the issuance of paper money. These days, it is to make credible a policy of low and stable inflation (ironically, predicated on being insulated from any Whitehall instruction to buy gilts). Even, then, as the public purpose has been overhauled, the institutional means — an organization placed at arm's length from quotidian politics— has remained unchanged. This helps to explain the Bank's notorious stubborn streak, which Kynaston illustrates again and again: you can't make your commitment to something credible unless you are prepared to dig in. The purpose breeds the culture that both fits the Bank to the role that Parliament has ordained for it and, less happily, has throughout its history rendered it periodically unpopular and alone. (See Governor Cunliffe in chapter 9 for how taking a stand can go pear-shaped.)

Two quibbles. One is that Kynaston doesn't always have an ear for institutional self-caricature, as when he takes literally as well as seriously Deputy Governor Mynors' ironic litany of central banking beliefs (p.477). More important, the reader is left to develop their own understanding of what those 300 years have really been about, which here I have suggested was having to find and, again and again, re-find central banking's place in government while the country's political system migrated from commercial republic to full-franchise democracy, its economic system from gold-standard to fiat money.

But *Till Time's Last Stand* is a magnificent treasure trove for anyone who might contemplate that interpretative task, and a treat for any reader who doesn't seek grand narrative but, instead, wonders what those powerful unelected people at the Bank of England were like.

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