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Book review: till time's last sand: a history of the Bank of England, 1694-2013 by David Kynaston

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

Amongst the reasons why historical accounts of major Central Banks, and of leading Central Bankers, are so enduringly fascinating to many of us is that they stand at the cross-roads, the hinge, between the public and private sectors, between art and science, between politics and finance, between human judgment and quantitative analysis. Thus the Bank of England is now independent within the public sector and the half-way house between Whitehall and the City.

In this beautifully written and highly entertaining book, Kynaston focusses on the personal, political, cultural and social aspects of the Bank, rather than on its quantitative, numerical and theoretical features. He is absolutely justified in doing so, since the economic historians of the Bank, Clapham, Sayers, Fforde, Capie and now Harold James, have already had their opportunities to provide plenty of numerical analysis, (not that some of them did enough). So Kynaston's remit was clearly to put a more human face on the Bank.

He does so extremely well. Besides the many lucid Chapters on the roles, views, activities and judgments on the leading players in the Bank, Governors, Deputy-Governors, members of Court, Executive Directors, etc., there is in each of the four main Parts, (covering 1694-1815, 1815-1914, 1914-1946, 1946-1997, plus a post-script 1997-2013), a Chapter on what it was like to work as an ordinary employee in the Bank, Chapters 3, 7, 11 and 16; as befits a social historian, who has written several earlier books on what it has been like to live in Britain.

But Kynaston here is determinedly non-quantitative; as far from cliometric as one can get. While there are plenty of individual numbers in the text, there is not a single Chart, Graph or Table to interrupt the mellifluous flow of the text, let alone something as far out as equations or regressions. Instead, there are photographs of people, mostly Governors, and Bank buildings. In my view this is a pity. It would have helped to get a more continuous view of the scale of the Bank relative to GDP and/or the broader money supply, and of interest rates and the National Debt, etc.

Kynaston's main modus operandi is to allow his historical characters to speak for themselves about what they were thinking and doing by unearthing, and then reproducing, apposite quotations, and then weaving a collection of such quotations, often lengthy, into a coherent and continuous story. He is a complete master of such a technique and deploys it with great skill. Of course, all the famous quotes are here and in their proper context, e.g. Norman to Clay, "you are not here to tell us what to do, but to explain to us why we have done it", p. 358; Keynes about Montagu Norman, "always absolutely charming, always absolutely wrong", p. 383; "the Bank is a bank and not a study group", p. 416; etc., etc. His scrap-book collection of potential quotations, used and unused, before he got down to writing it all up, must have been huge.

Both author and publisher deserve much credit for an excellently produced and presented book. In the 800, or so, pages of text, I found nary a typo, and it was all beautifully written. As far as I could tell, all the quotes were accurate and the facts almost all correct. Of course, in such a lengthy book there must be a few slips. For example, p. 437, Sayers is described as an 'historian'; he was that too, but he was primarily a monetary economist and a Professor of Economics at LSE; p. 514, where I am reported to be a "convinced monetarist", (though Kynaston quotes me correctly on more other occasions than I deserve); p. 753, where Kynaston suggests that Northern Rock had "all its excellence on the lending side", including its 'Together' mortgage loans with an LTV ratio of 120%? But these are occasional exceptions to the rule that one can trust Kynaston's general accuracy.

So, who should read this book, and in what way? I would not advise anyone, except perhaps for other reviewers and bank historians, to start reading on page 1 and go on steadily through to page 796. This book is probably best read back to front. Most of us are primarily interested in more recent history. So start with the final postscript, pp 729-796, and then work backwards, Chapter by Chapter, as far as your inclination and interests take you. Of course, if someone has a research interest in the role of the Bank in an earlier period, then Kynaston's book will form an excellent introduction before embarking on a deeper study. In his history of 319 years in 796 pages, he cannot go very deeply into each subject; indeed it is remarkable how much he does manage to pack into these pages.

Trying to let the main actors tell their own stories via apposite quotations tends to imply a non-judgmental approach, and that seems to me what Kynaston is attempting. Perhaps the main recurring theme is the balance between moral hazard and the prevention of contagious financial instability, which crops up repeatedly, e.g. in Overend Gurney, Barings 1 and 2, the Fringe or Secondary Bank Crisis, the LDC crisis, Northern Rock, and several others. On the whole Kynaston seems to side with those who believe that 'moral hazard fundamentalism', as Geithner called it, should be abandoned once a crisis seems imminent, i.e. that Bagehot should be preferred to Hankey; but he is keen to give space and understanding to the counter-arguments.

Kynaston is much less good on the other continuing monetary debates, on the currency versus the banking school, on rules versus discretion, on whether credit and money creation should be combined or separated, etc. For example, there was no mention of the 'real bills doctrine'. Perhaps he can be excused on the grounds that these latter issues lay within the separate domain of economic theory, better left to the economists.

Where he was very good was in describing relationships between Whitehall and the Bank; his exposure of the tendency of the Bank to blame economic failures on fiscal policy, especially excessive public expenditures, and of Whitehall to blame monetary policy, especially weak-kneed credit control, is exactly right.

No doubt as befits a social historian, Kynaston puts great weight on cultural issues, and the portrait that comes of the Bank (recent years partially excepted) is rather critical, i.e. hierarchical, class conscious, conservative, somewhat exclusive, cult of the general amateur, uncommunicative (at least prior to the Radcliffe Committee Report 1959), etc. No doubt there is much validity in all this, but Kynaston misses one partial explanation. Ever since the Bank became subservient to the Chancellor in the conduct of monetary policy, i.e. 1931-1997, the Chancellor was almost certainly bound to listen more to the specialist economists in HMT than to their counterparts in the Bank. So, if the Bank was to influence policy, it would be by emphasizing their 'feel' for markets. In the 1970s, and subsequently up till the 1990s, the Bank had the expertise to publish forecasts. But when they sought to do so they were rebuffed and prevented by HMT, who argued that commentators would just focus on the differences between the two sets of forecasts. Since 1997, of course, the boot has been on the other foot!

Overall this is an, intentionally, very different kind of history from that already written by the economic historians. But with its focus on people and cultural issues it provides a useful, entertaining and beautifully written complement. And the non-judgmental tying together of relevant quotations, allowing all the main protagonists to speak for themselves, is masterfully done.