

# **CREDIT, CURRENCY & COMMERCE:**

## **New Perspectives in Financial and Monetary History**

CENTRE FOR FINANCIAL HISTORY

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### **Conference Report**

Sabine Schneider (University of Cambridge)

Retracing the path to the Great Recession, Barry Eichengreen has observed how ‘The historical past is a rich repository of analogies that shape perceptions and guide public policy decisions.’<sup>1</sup> Certainly, recent years have shown that analogies drawn from historical experience are most in demand ‘when there is no time for reflection.’<sup>2</sup> The past decade of global economic turmoil has justly been credited with re-invigorating research in financial and monetary history.<sup>3</sup> Beyond the study of banking crises and financial regulation, the events of 2007/8 have prompted renewed scholarly interest in the evolution and politics of financial capitalism. While the legacy of the Great Recession has profoundly shaken established tenets of mainstream economics, it has also stressed the need for new historical narratives that understand the world economy within the specific cultural contexts, economic ideas and political debates of the past. On 13<sup>th</sup> and 14<sup>th</sup> September 2016, the Centre for Financial History at Cambridge hosted a conference with the aim of fostering an interdisciplinary dialogue about histories of finance, global trade and monetary policy. Over the two conference days, twenty early career scholars and doctoral researchers presented papers that ranged in period and geography from medieval Catalonia and eighteenth-century Scotland to pre-war China and post-war Britain.

Central banking and the development of monetary policy formed the focus of the majority of speakers’ papers. On the first day, Jacopo Sartori (Cambridge) explored the little-known case of the Taula de Canvi, a private bank founded in Barcelona in 1401, which he placed in the context of the pre-modern financial revolutions in England and the Low Countries. Sartori studied the Taula’s bank ledgers for evidence that the bank’s practices in credit and debt servicing rendered it an early proto-central bank. Dr Paul Kosmetatos (Edinburgh) revisited the origins of the debate over the Bank of England’s evolving role as Lender of Last Resort. His paper examined Adam Smith’s and Henry Thornton’s differing recommendations for crisis containment as a starting-point for evaluating the Bank’s conduct in 1763 and 1772. Kosmetatos concluded that the Bank’s timely injection of liquidity via the banknote channel during the latter crisis showed that ‘the attitude and means of intervention described by Thornton were already practically in place.’ Pamfili Antipa (Banque de France/Paris School of Economics) presented new Bank of England balance sheet data that adds considerably to our knowledge of how the British government financed the Napoleonic and Revolutionary Wars. Her joint research with Professor Christophe Chamley (Boston) revealed that the Bank strategically operated in the secondary market for Exchequer bills in order to re-direct funds to the Treasury, while highlighting the fiscal and social costs of Britain’s swift return to peace-time public finances.

Considering the nexus between finance and international diplomacy, Sabine Schneider (Cambridge) examined the semi-official role of Gerson von Bleichröder, private banker and economic advisor to Otto von Bismarck, and his interventions in the monetary reforms Germany pursued after unification. Her paper traced Bleichröder’s services as an ambassador of finance for the German Chancellor, and shed light on his bank’s involvement in the country’s costly transition from a silver to a gold-backed monetary regime. Germany’s introduction of a national currency in

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the early 1870s preceded the creation of a centralized state bank and the re-ordering of the country's regional note issue. Starting from the Reichsbank's foundation in 1876, Ousmène Mandeng (LSE) explored the role of competition and monetary stability as integral elements of the legal set-up and operation of Germany's central bank prior to 1890. Mandeng argued that the Reichsbank's flexible reserve requirements, as well as its rivalry with regional note issuing banks in the market for bills of exchange, created an effective, incentives-based system of central banking.

Financial instability and its effects on economic activity were the subjects of three further papers. Walter Jansson (Cambridge) modelled the links between financial volatility and economic output in Great Britain during the three decades before the First World War. Enrique Jorge-Sotelo (LSE) took a micro-historical approach to the Spanish banking crisis of 1931 to assess the criteria the Banco de España employed for the provision and conditions of its emergency loans. For the post-war period, Oliver Bush's paper (Bank of England/LSE) investigated Britain's approach to monetary and macroprudential policies in the years after the UK Radcliffe Report (1959). Based on collaborative research with Dr David Aikman (Bank of England) and Professor Alan M. Taylor (California), Bush presented new findings on the 'causal impacts of interest rates and credit controls' on inflation and economic activity.<sup>4</sup>

New research on France, China and the League of Nations prompted further discussion about the impact that global integration in capital markets has had on nations' public finances. In the opening session, Jerome Greenfield (Cambridge) investigated the political economy of France's fiscal constitution between 1789 and 1852. Greenfield's paper elucidated the central government's rationale for re-introducing and extending indirect taxes after they had been abolished during the French Revolution. Ghassan Moazzin (Cambridge) discussed the Chinese state's practice of raising capital for public expenses through foreign, especially European, bond markets in the early twentieth century. His paper demonstrated that the interventions of Western bankers to uphold China's credit had a critical influence on the political outcome of the Republican Revolution of 1911. Jamieson Gordon Myles (Geneva) examined the League of Nations' internationalist efforts in 'kickstarting commerce after the Great War'. Myles explained why organized international action 'to facilitate access to credit for trade failed to be implemented', and how, in turn, economic nationalism and beggar-thy-neighbour policies could take hold in the interwar period.

The post-war fate of sterling as a global reserve currency preoccupied Alain Naef's paper (Cambridge), which asked whether Britain's currency was justifiably perceived as an 'international liability' after the 1967 devaluation. Subsequent speakers further explored the long-term evolution of financial policy through questions that have re-surfaced in a new light during the past decade, in particular the City of London's role as an international financial centre and the multiple facets of government intervention in financial markets. Dr Carlo Altamura (Geneva) investigated the City's stake in the creation of the Eurodollar market, which along with a series of de-regulatory measures brought in during the late 1970s and 1980s, revived the prosperity and standing of London as a global financial hub. Altamura argued that the City and the Bank of England pursued 'A Financial *Sonderweg*' in Europe by repeatedly opposing tighter regulatory measures on Britain's financial services industry. Turning to the United States, Rasheed Saleuddin (Cambridge) considered the early history of modern clearing through the lens of government-sponsored regulatory innovations introduced at Chicago's interwar market for grain futures.

Several papers pointed to the underexplored potential of cultural and social history to deepen our understanding of how economic cultures, ideologies and policies are themselves socially constructed. Owen Brittan (Cambridge), for instance, drew on autobiographical evidence to assess men's anxiety over bankruptcy and debt in later Stuart England, and revealed how such fears were mediated through ideals of masculinity, honour and economic independence. Henry Sless (Reading) discussed the transmission of pictorial representations of finance in the Victorian era. Focusing in

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particular on prints and photographs, his paper pointed to a multi-layered ‘emotional discourse’ that underpinned Victorian political debates about the economy as well as the news reporting of financial events. Earlier that day, Damian Clavel (Geneva) re-visited the causes and instigators of the speculative bubble in Latin American bonds that gripped international investors in the 1820s, focusing, in particular, on how underwriters constructed the notorious story of the ‘fictitious country of Poyais’.<sup>5</sup>

Exploring changing definitions and cultural attitudes to speculation, Kieran Heinemann (Cambridge) traced the practices of brokers and investors in Britain’s grey market for stocks and shares during the half-century leading up to the Prevention of Fraud Act of 1939. His paper contrasted the British experience of discredited bucket shops with the interwar creation of a US retail brokerage system, which sought to cater for small investors. In shifting the focus to the ‘shadow’ side of Britain’s financial sector, Heinemann traced a largely forgotten ‘discursive struggle over the boundaries between investment, speculation and gambling’, which still resonates with the concerns of investors and regulators today. Similarly referencing contemporary concerns, Anne Henow’s paper (Cambridge) offered a conceptual model of ‘financialization’ based on preliminary observations about the changing business strategies of German banks during the post-Bretton Woods era. Following on from that, Jens van’t Klooster (Cambridge) discussed John Rawls’s democratic vision of modern central banking – as set out in *A Theory of Justice* (1971) – against the historical backdrop of the Federal Reserve’s development.

The late afternoon session on the first conference day was devoted to a round table on early career publishing strategies that featured short presentations and lively discussion on the particularities of academic journals, monographs and digital media. Dr Sara Horrell (Cambridge), Editor of the *Economic History Review*, spoke about the conventions of journal submission and peer-review, while Dr Michael Middeke (Boydell & Brewer Ltd.) highlighted the most common hurdles for post-doctoral researchers when they seek to transform their thesis into a successful monograph. In explaining the journey from manuscript submission to publishers’ promotion of finished books, Dr Middeke offered valuable insights into recent trends in the market for academic monographs. Subsequently Dr Lucy Delap (Cambridge) shared her experiences on how historians might use policy papers, opinion pieces and blog posts, as well as knowledge-exchange platforms such as *History and Policy*, in order to disseminate their research more widely. The growing importance of media training for historians became the focal point of the Q&As and continued to stimulate conversation between sessions.

Professor Martin Daunton, Emeritus Professor of Economic History at the University of Cambridge, concluded the first conference day with a wide-ranging keynote on ‘Bretton Woods Revisited: Currency, Commerce and Contestation’. Shifting the focus away from the predominant narrative of US-UK rivalry at Bretton Woods, Daunton re-evaluated the specific domestic concerns of several Western European and Commonwealth countries, which shaped their negotiating positions at the 1944 summit and at subsequent international trade conferences. Rounding off Day I, delegates enjoyed a conference dinner in the atmospheric Richard King Room at Darwin College. The closing keynote was delivered by Dr Anne Murphy, Reader in History at the University of Hertfordshire, and examined the origins of modern management practices at the Bank of England.<sup>6</sup> Even though ‘the late eighteenth-century Bank of England was undoubtedly the largest private employer of white-collar workers in Britain’, it has escaped any extended treatment in studies of managerial development, and remained conspicuously absent from Sidney Pollard’s *Genesis of Modern Management* (1965).<sup>7</sup> Shedding light on the Bank’s working processes, recruitment and staff training during the 1780s, Dr Murphy demonstrated that the Bank took important steps towards fostering and monitoring good managerial practice, which over the long run may have aided ‘the development of trust in the British public finances.’<sup>8</sup> In the closing remarks, Dr Duncan

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Needham, Director of the Centre for Financial History, highlighted the richness of qualitative, quantitative and interdisciplinary research currently taking place in the history of finance and monetary policy.

*Credit, Currency & Commerce* brought together thirty-six junior researchers and senior academics from across history, economics, development economics, business management and philosophy. Their contributions from a variety of disciplinary angles and methodologies produced lively exchanges on the trajectory of financial and monetary history, and the opportunities it holds for mastering a deeper understanding of the world economy. Chronologically and geographically, the vast scope of topics discussed demonstrated the vibrancy of historical research into financial capitalism, and its critical intersections with the concerns of international, diplomatic, social and cultural historians.

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<sup>1</sup> Barry Eichengreen, *Hall of Mirrors: The Great Depression, the Great Recession and the Uses and Misuses of History* (New York: Oxford University Press, 2015), 377.

<sup>2</sup> Eichengreen, *Hall of Mirrors*, 377.

<sup>3</sup> Youssef Cassis, 'Financial History and History', in Youssef Cassis, Richard S. Grossman, and Catherine R. Schenk, eds., *The Oxford Handbook of Banking and Financial History* (Oxford: Oxford University Press, 2016), 29; Barry Eichengreen, 'Economic history and economic policy', *Journal of Economic History*, 72 (2012), 289.

<sup>4</sup> David Aikman, Oliver Bush, and Alan M. Taylor, 'Monetary Versus Macprudential Policies: Causal Impacts of Interest Rates and Credit Controls in the Era of the UK Radcliffe Report', *NBER Working Paper No. 22380* (June 2016).

<sup>5</sup> Carmen M. Reinhart and Kenneth S. Rogoff, *This Time is Different: Eight Centuries of Financial Folly* (Princeton: Princeton University Press, 2009), 93.

<sup>6</sup> Anne Murphy, 'The Bank of England and the Genesis of Modern Management', *eabh Working Paper*, No. 16-02 (August 2016); see also, Anne Murphy, "'Writes a fair hand and appears to be well qualified": the recruitment of Bank of England clerks, 1800-1815', *Financial History Review*, 22 (2015), 19-44.

<sup>7</sup> Murphy, 'The Bank of England and the Genesis of Modern Management', 1-2, 6-7.

<sup>8</sup> Murphy, 'The Bank of England and the Genesis of Modern Management', 29.