The official history of the Bank of England from its foundation in 1694 until the Second World War is contained in the volumes by Sir John Clapham and Professor Richard Sayers, both distinguished economic historians. It has now been continued by John Fforde, a central banker by profession and a former Executive Director of the Bank. Mr Fforde has had unfettered access to the highly detailed material in the Bank’s extensive archives covering the wartime and post-war periods, as well as the benefit of the oral evidence of some of those who held senior positions at the Bank at that time.

Beginning in the final phase of Lord Norman’s long Governorship, the book goes on to cover that of Lord Catto and ten of the twelve years of Lord Cobbold’s Governorship. It examines and appraises how Norman’s very personal creation, set in statutory mould by the hurried nationalisation of 1946, moved on and led a vigorous though often frustrated life in the post-war years of recurrent external monetary weakness and persistent difficulties with both the content and the conduct of domestic monetary policy. The Bank’s subordinate but restless relationship with the Treasury is central to the whole story; but Mr Fforde also examines the Bank’s evolving and far from subordinate relationship with the UK financial community. The long story, some of it already familiar to students of the period, is related here from the viewpoint of the Bank for the first time and in detail; and the Bank’s contribution to public policy is explained while the effects of its Constitutional position are assessed.
THE BANK OF ENGLAND AND PUBLIC POLICY, 1941–1958
Bank of England: detail of floor mosaics by Boris Anrep
THE BANK OF ENGLAND AND PUBLIC POLICY 1941–1958

JOHN FFORDE

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Eight years ago the Governors asked if I would continue the official history of the Bank that had been begun by Sir John Clapham and carried a stage further by Professor Richard Sayers. Not being a professional historian I was at first reluctant to accept. But more than twenty years’ experience of central banking, combined with an amateur interest in history, eventually overcame my reluctance. I began work in the spring of 1984 and completed the final typescript of a very long book in the autumn of 1989. It is, to repeat, the work of an amateur though its blemishes on that account may to some extent be compensated by the author’s particular insight into the workings of the Bank.

It soon became clear that in the time available to me I could not attempt a complete history that would include a comprehensive study of the administration of the Bank as well as of its participation in public affairs. The former has accordingly been undertaken by another author, Mrs Elizabeth Hennessey, and will be published separately. My inability to undertake both tasks was mainly due to the sheer volume of material in the Bank Archive, material that had to be sifted and studied slowly and carefully (a professional might have been much quicker) so as to piece together in detail an often elaborate story that combined the technical complexity of central monetary affairs with their historically important politics. The official history of an institution, like one supposes the official biography of a distinguished individual, has to be as complete as possible. One cannot pick out the more entertaining and technically simpler bits while leaving the rest to the imagination.

The amount of material in the Archive, to which I was given unhindered access, underwent a quantum leap forward during the Second World War onto a new level that persisted in the post-war period. This may have been due in part to a greater inclination to keep policy records, an inclination that would have increased along with the Bank’s closer
association with Whitehall. But it was mostly due to the fact that life just became more complicated, particularly with respect to the external monetary affairs that commanded the lion’s share of the Bank’s contribution to public policy in the early post-war years. Indeed the history of sterling in that period, whether written from a Bank viewpoint or more widely, represents a daunting challenge both to the skill of the narrator and to the patience of even the most alert and assiduous reader.

Neither my predecessor nor myself have attempted, as a specific piece of work, a history of the Bank during the Second World War. In most respects Sayers ended his history in 1939. My own book is mostly about the Bank and public policy in the post-war period. Depending on the particular topic, however, it usually begins during the war years. For example, the Bank’s contribution to discussions leading up to Bretton Woods, to the Anglo-American Loan Agreement and to post-war external monetary problems in general, begins as early as 1941. Again, the Bank’s interest in post-war domestic monetary policy and also in the post-war financing of industry begins in 1943.

If the book often begins during the war, where does it end and why? The Bank’s observance of the thirty-year rule governing public access to official documents, together with intended publication in 1991, suggested at first that I should take the story up to the end of Lord Cobbold’s Governorship in June 1961. I later concluded, however, that the completion of various phases of policy in 1958 was more important than the change of Governor in 1961. The final resumption of sterling’s non-resident convertibility, at the end of 1958, was one such completion. The termination of the 1950s ‘credit squeeze’ and the introduction of Special Deposits in July 1958 was another. Furthermore, within the Bank’s relationships with the financial community, 1958 saw the end of the Bank’s first attempts to solve the supervisory and credit-control problems thrown up by the newly emerging secondary banks. The book therefore finishes with these and other completions. It does not, for example, deal more than tangentially with the Radcliffe Committee and its Report, which belong more properly to subsequent history.

The structure of the book sometimes presents difficulties. For most of the time, the history of the Bank’s participation in public policy divides itself into distinct and separable topics that often proceed contemporaneously but which can conveniently be treated in separate chapters or sections that stand on their own and which contain no more than a readily acceptable amount of cross-reference. For example, domestic monetary policy, despite its intimate linkage with external affairs, is treated as a subject on its own except in the account of the exchange crisis early in
1952. But on the external side, when policy divides itself into no less than four separate subjects that run concurrently during the four long years following the convertibility crisis of 1947, it would have been easier for the reader if these subjects could have been woven together into one continuous fabric. However, I found the task beyond me and retreated into four long and separate sections bolted together after a fashion by a common introduction and a common conclusion.

A history of the Bank’s participation in public policy relating to the central monetary affairs of the UK must to some considerable extent be a history of that policy and those affairs. On the other hand it must also possess the nature of a biography, though in this case the biography of an institution rather than an individual. The right balance between these two ingredients is difficult to find. In searching for it one is partly guided by the material actually available in the Bank. The rest is a series of subjective judgements best described as following one’s nose.

My principal sources have been the documents in the Bank’s Archive. These often include copies of the relevant Whitehall papers; but I have occasionally resorted to the Public Record Office when this seemed essential to fill an obvious gap in Bank material or to obtain a Treasury slant on some particular episode concerning the Bank. In addition, a variety of biographies, memoirs and historical studies have been consulted and have been acknowledged in the text. Except in the case of the Anglo-American Loan negotiations, little recourse has been made to material outside the UK. Reliance on Bank files includes reliance on personal ‘notes for record’ by the Governor and others relating to particular meetings and conversations, mostly in Whitehall, which give a Bank’s-eye view. Such notes necessarily contain a subjective element whose significance I do not assess but which I do not believe seriously distorts the story. More generally, Bank records on the development of policy tend to be more informal or intimate than do Treasury records. In Whitehall, it has been said, nothing prevails unless it is written down. Accordingly, what is written there must conform to that requirement. In the Bank, however, the spoken word retains, or used to retain, a higher status and the written word remained less formal.

I was fortunate in being able to supplement the documentary evidence by talking or corresponding with some of the survivors of the early post-war period. In particular, they provided me with valuable ‘background’ that helped to recapture the flavour of those times rather than challenge the accuracy of the written material. I must especially acknowledge the help given me by the late Lord Cobbold while thanking others from the Bank, all of whose contributions were of great value both individually and
cumulatively. Those others were, in alphabetical order, Maurice Allen, Bob Barkshire, Hilton Clarke, John Kirbyshire, Sir Humphrey Mynors, Lord O’Brien, George Preston, Rupert Raw, Jasper Rootham, James Selwyn, Ernest Skinner, Geoffrey Tansley, Michael Thornton and Alan Whittcome. From the world outside Threadneedle Street I must thank Paul Bareau, Lord Caccia, Sir Alec Cairncross, Lord Croham, Sir Peter Daniell, Sir Frank Figgures, Charles Goodhart, Sir Donald MacDougall and Lord Sherfield.

With great patience, John Flemming found time to read the entire typescript and I am most grateful to him for his very helpful comments.

Throughout the preparation of the book, the Bank has looked after its official historian with customary thoughtfulness and generosity. In addition to accommodation and secretarial facilities, I have been provided with research assistance, given first by Corinna Balfour and latterly by John Pullinger. They appear in the text as authors of appendices. I am most grateful to both of them for all the help they have given me. The Bank’s Archivist, Henry Gillett, and his staff have been unfailingly helpful in the pursuit of occasionally elusive material. Derrick Byatt helped with the proofs, as did Elizabeth Hennessy who also undertook to compile the index: my thanks to both of them.

Not for the first time, my wife has had to put up with the prolonged male pregnancy of my writing a book. Not for the first time, I must thank her for tolerating it and for providing her unique brand of encouragement.

JOHN FFORDE
November 1990
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AHC</td>
<td>Accepting Houses Committee</td>
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<tr>
<td>AIT</td>
<td>Association of Investment Trusts</td>
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<tr>
<td>ALCOA</td>
<td>Aluminium Corporation of America</td>
</tr>
<tr>
<td>AMC</td>
<td>Agricultural Mortgage Corporation</td>
</tr>
<tr>
<td>APU</td>
<td>Atlantic Payments Union</td>
</tr>
<tr>
<td>BA</td>
<td>British Aluminium Co</td>
</tr>
<tr>
<td>BBA</td>
<td>British Bankers Association</td>
</tr>
<tr>
<td>BIA</td>
<td>British Insurance Association</td>
</tr>
<tr>
<td>BID</td>
<td>British Industrial Development Corporation</td>
</tr>
<tr>
<td>BIS</td>
<td>Bank for International Settlements</td>
</tr>
<tr>
<td>CDFC</td>
<td>Commonwealth Development Finance Company</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CIC</td>
<td>Capital Issues Committee</td>
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<tr>
<td>CLCB</td>
<td>Committee of London Clearing Bankers</td>
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<tr>
<td>CRND</td>
<td>Commissioners for the Reduction of the National Debt</td>
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<tr>
<td>ECA</td>
<td>Economic Co-operation Administration</td>
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<tr>
<td>ECSC</td>
<td>European Coal and Steel Community</td>
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<tr>
<td>EDC</td>
<td>European Defence Community</td>
</tr>
<tr>
<td>EEA</td>
<td>Exchange Equalisation Account</td>
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<tr>
<td>ERC</td>
<td>European Economic Community</td>
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<tr>
<td>EFTA</td>
<td>European Free Trade Association</td>
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<tr>
<td>EMA</td>
<td>European Monetary Agreement</td>
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<tr>
<td>EMF</td>
<td>European Monetary Fund</td>
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<td>EPU</td>
<td>European Payments Union</td>
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<tr>
<td>ERP</td>
<td>European Recovery Programme</td>
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</tbody>
</table>
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FCI Finance Corporation for Industry
FHA Finance Houses Association
FOA Foreign Operations Administration
FRB Board of Governors of the Federal Reserve System
FRBNY Federal Reserve Bank of New York
GATT General Agreement on Tariffs and Trade
GDP Gross Domestic Product
HPTA Hire Purchase Trade Association
IBA Industrial Bankers Association
IBRD International Bank for Reconstruction and Development
ICFC Industrial and Commercial Finance Corporation
IDA International Development Association
IEPC Intra-European Payments and Compensations
IFC International Finance Corporation
IMF International Monetary Fund
ISHRA Iron & Steel Holding & Realisation Agency
ITO International Trade Organisation
LDMA London Discount Market Association
LME London Metal Exchange
MRP Mouvement Républicain Populaire
MSA Mutual Security Administration
NAC National Advisory Council on International Monetary and Financial Problems
NATO North Atlantic Treaty Organisation
NCB National Coal Board
NDO National Debt Office
OECC Organisation for European Economic Co-operation
PWLB Public Works Loan Board
RTB Richard Thomas & Baldwin Ltd
xix

SCOW  Steel Company of Wales
SF    Stabilisation Fund
TDR   Treasury Deposit Receipt
TI    Tube Investments Ltd
UNRAA United Nations Relief and Rehabilitation Administration