

## Chasing Stability

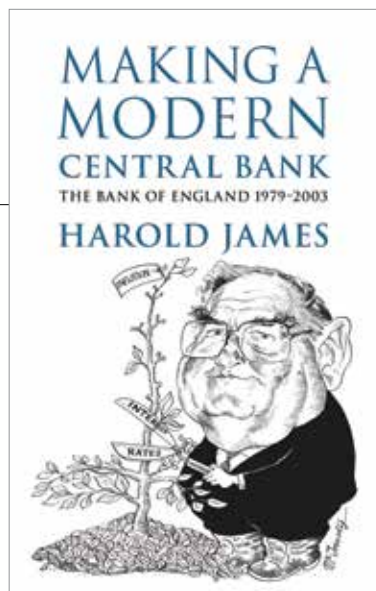
**WHEN IN 1997** the Bank of England regained independence, the long arc of its 20th century history reached closure: from great power before the 1930s, to decades sidelined as the Treasury's operational branch, through reacquired authority during the late 1970s and 1980s, and finally back to insulation from quotidian politics. The destination was not inevitable, and the job of this book, covering the quarter century from 1979 to 2003, is to tell the tale of how a remarkable group built an organization fit to be granted independence when the politicians and mandarins ran out of monetary wheezes. It has the right title (almost) and an appropriate cover, as Eddie George—perhaps the finest central banker in the generation after Paul Volcker—embodied the transition from old to new.

Harold James' rich and perceptive book traverses three territories: the history of the economy and policy, of the institution and of the organization. It mainly follows the standard pattern in occupying the space between policy events and organization, but with an underlying theme of how internal change and debate paved the way for institutional reform.

It is essential reading for anyone interested in the agonized twists and turns in Treasury-led British macroeconomic policy during the 1980s and its gradual redemption during the 1990s. Ditto for anyone interested in how a system of judgment-based banking supervision that had succeeded in maintaining systemic stability gave way, after a series of noisy idiosyncratic failures (JMB, BCCI, Barings), to a regulatory regime outside the central bank, which ended in systemic collapse.

Policy initiatives, setbacks, and reforms are nicely displayed. But we learn less about the personal rivalries and perspectives that drove the place forward.

If Gordon Richardson reestablished gubernatorial authority, Robin Leigh-Pemberton assembled and nurtured a world-class team (including Andrew Crockett, later head of the Bank for International Settlements), George Blunden cleared away obstacles, and the goods were delivered by Eddie George and Mervyn King, whose strategic transformation of the Bank's capabilities is impossible to exaggerate. We do not, however, get much of the parade's color.



Harold James

**Making a Modern Central Bank: The Bank of England 1979–2003**

Cambridge University Press,  
Cambridge, UK, 2020, 350 pp., \$110

Unbelievable though it is looking back, Whitehall fiercely resisted Eddie becoming deputy governor, giving way only with the stricture that this was not a route to the top (a message delivered via me as the then-governor's private secretary). Nor will the reader get much of a sense of the decade-and-a-half-long internal struggle, verging on civil war, over the Bank's role in financial stability, which reached its (current) conclusion only after the 2008 crisis.

James has, then, triumphed in delivering a Bank of England-centered account of British economic policy in the late 20th century. He has also laid the groundwork for a badly needed political-cum-sociological study of the deeper stories around this institutional renewal.

Oh, about the title. Shortly after independence was granted, New Labour's economic team, flush with power and glory, came for lunch. As part of "modernization," you should get rid of your stewards' 18th century livery, they said. The Bank can be world-class without ditching all its traditions, we responded. After all, "modern" is not quite the right word; the two generations that refashioned the Bank were not chasing fashion, but stability. On that, we were all united, which was the really big thing. **FD**

**PAUL TUCKER**, author of *Unelected Power*, worked at the Bank of England from 1980 to 2013.