Faculty of Business, Law and Arts
Business School
University of Southampton

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The Bank of England: A Socio-Economic Inquiry into Private Money Creation, Public Debt Financing and the Long Run Implications for Inequality in Britain and beyond

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by

Plamen Ivanov

Abstract

UNIVERSITY OF SOUTHAMPTON
FACULTY OF BUSINESS, LAW AND ARTS
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This socio-economic inquiry investigates the roots of inequality and how this scourge was woven in the social fabric with the design of the institutional framework of private money and public debt for the benefit of a tight group of institutional entrepreneurs. Thus, I first examine the founders of the Bank of England and contextualise their role in the erection of this key capitalist firm, making use of historical organisation studies in the explicating mode. I find that the well-honed official narrative about the founding fathers of the Bank of England (William Paterson, Charles Montagu and Michael Godfrey) disintegrates once Pikettian examination across time and space is conducted. By juxtaposing theory and empirical evidence, I show that the French Church community of Threadneedle Street is a better identifier behind its creation. In the next chapter, by adopting the same research framework in the narrating mode, I reason that the credit issuance denationalisation by this small faction of *identifiable* Whig entrepreneurs and concurrently the legitimisation of this new social order with the Bank of England as its focal point was the centrepiece of the institutional shift in the late 17th century. This has resulted, contrary to North and Weingast's promulgated hypothesis, in a rent-extracting institutional framework governed by a system of private money and public debt, where political resources flow from the many taxpayers to the few (Bank) shareholders through the fiscal apparatus. Chapter 3 then compares the current with the erstwhile institutional order with respect to the system of tax appropriation from the general public by using a novel approach which is in stark contrast with scholars who measure inequality within the same framework. This is followed by two empirical tests utilising a 250-year data set on the United Kingdom, which demonstrates the rent-extracting nature of the current pecuniary system. The qualitative and quantitative results place credit institutions at the centre of a rent-seeking institutional order that has defined societal rules on one hand and drawn resources from all other tax-paying layers of society on the other. Policy implications are discussed, including a proposal that aims to remedy the contemporary income and wealth inequality via the founding of a constellation of community banks with wide ownership structure, granulating the benefits from credit (money) creation and allocation, without the need for a large-scale redistribution and public sacrifice through rescinding national debt.

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Declaration of Authorship

I, Plamen Ivanov, declare that this thesis and the work presented in it are my own and has been generated by me as the result of my own original research:

'The Bank of England: A Socio-Economic Inquiry into Private Money Creation, Public Debt Financing and the Long Run Implications for Inequality in Britain and beyond'

I confirm that:

1. This work was done wholly or mainly while in candidature for a research degree at this University.
2. Where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated.
3. Where I have consulted the published work of others, this is always clearly attributed.
4. Where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work.
5. I have acknowledged all main sources of help.
6. Where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself.
7. None of this work has been published before submission.

Signed:

Date: 3rd October 2018

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Admittedly, I have not credited sufficiently his stimulating surveys in business and economic history. Thus, I passionately recommend readers of my subsequent three essays to frequent his ground-breaking research on another central bank, the Bank of Japan, and the manipulation of the Japanese economic performance through the most effective monetary policy tool, window guidance, in his magnum opus - 'Princes of the Yen'. The title of his seminal book has also inspired the title of my first chapter since I found striking similarities between the management processes and procedures employed at these key, influential capitalist enterprises.

Academically-leaned bibliophiles are advised to study his 'New Paradigm in Macroeconomics: Towards a Quantity Theory of Credit', where he marries Fisher's quantity theory of money with the credit theory of money together to produces the first quantity theory of disaggregated credit. Drawing on his new theory, he prophetically predicted the Global Financial Crisis (GFC), whilst detailing fundamental flaws of the contemporary approach to money and banking and thus the study of economics, of which I also make utility. In the book, Richard also unmasks the three irreconcilable faces of banking in similar fashion to a popular Japanese parable, which goes as follows:

> The first face (financial intermediation theory), you show to the world. The second face (fractional reserve banking), you show to your close friends, and your family. The third face (credit view of banking), you never show anyone.

My gratitude is extended to Prof Jedrzej Frynas of Roehampton University and two anonymous referees from the British Management Journal (BMJ), who saw very early drafts of some parts

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The rich library facilities provided by the Hartley Library at the University of Southampton were a constant source of information without which this work will have been much leaner. The tremendous support in finding inaccessible journal articles and books by the former librarian for business students, Harry Gibbs, proved invaluable for the quality of my research. The highly-professional staff at the Bank of England Archive, to be more specific Joe, Margharita, Holly, Rachel and Fahema, who facilitated my many requests for access to archival resources with utmost rapidity, were instrumental to bring more breadth and depth to my research.

Plamen Ivanov

Пламен Иванов

Southampton, Hampshire

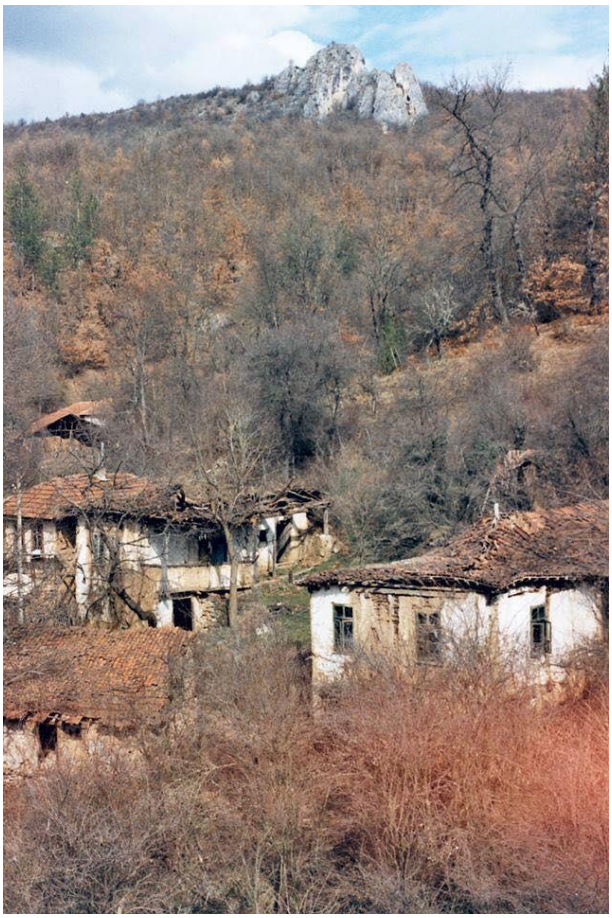
United Kingdom

3rd October 2018

Preface

As a person born immediately after the Fall of Communism in Eastern Europe, I witnessed the structural transformation of my home country, Bulgaria, as well as that of other transition countries from planned economies to free market economies, guided by Washington-based institutions and the European Union. Many of my relatives and compatriots were in the hope, as was I, despite my young age, that with the careful implementation of the proposed structural changes, underpinned with the denationalisation of key industries, as neoliberal economics prescribes, a free reign of private entrepreneurship will boost the nation's income and wealth, converging the standard of life to that in the Occident. In the event, most of the privatised enterprises, starting with the banking sector under Ivan Kostov's premiereship, were to fall in the hands of foreigners due to the dire need of investment for economic growth and the apparent lack of local savings, a large part of which were appropriated during two great inflation periods (World Bank 2016).[1] At the time, it was fanfared that private ownership in pursuit of profit maximisation and an utter renunciation of any industrial policy will indisputably lead to better economic outcome for all individuals and local society as a whole.

Picture 1: An Abandoned Village in Bulgaria



This 'American' dream did not materialise for many local residents, who are now unwillingly embracing the grim, ruinous reality surrounding them (see pictures 1, 2 & 3). Instead, the country witnessed continued economic depression, finding itself in the doldrums for two decades. More precisely, with the adoption of a currency board, first against the deutsche mark (DM) and then the euro (€), accompanied by the widespread circulation of fore-

[1] The financial intermediation theory of banking is still pervasive when policy-making, university education, economic commentators and mass media are concerned, which is reflected in the general understanding of the banking business by local residents (Zlatinov, 2018; Andronov & Goranov, 2014). For example, Stoyan Manolov (2015), head of the macroprudential department at the Bulgarian National Bank, writes: 'The financial sectors in EU candidate and potential candidate countries remain heavily bank-based, with most entities participating in the system following a 'traditional' business model devoted to intermediating retail and corporate deposits to loans'.

ign currencies (€, $) through the bank lending channel (exposing borrowers to foreign exchange risk in the event of a break from the board), has left the country entirely reliant on the unstable foreign direct investment (FDI) and capital flows for its economic development (Carbonell and Werner 2018).

The lost confidence in the local monetary system, epitomised with the subsequent wholesale mistrust in any state institution, unfortunately but unsurprisingly, resulted in the exponential growth of the grey economy and tax avoidance and in the process suppressed the productivity and consumption of economic agents. In the context of the free labour movement in the EU, which was joined in 2008, this dire socio-economic status quo culminated with large-scale emigration. A decade on, about a third of working age population, the productive spine of any nation, has reallocated to the Occident. The mass exodus transformed hundreds of small villages from hustling and bustling agrarian communities to ghost areas, populated only by the elderly, if any left. Since the Iron Curtain Fall in 1989, in excess of 550 villages, or about 11 per cent of all registered habitable rural zones, have been all but proclaimed *soulless*. This depopulation process has naturally reduced the house stock in the countryside from its vivacious, neat state to a desolate wasteland, overgrown in weeds and thorns. The city situation is not greatly dissimilar with large-scale unemployment and urban blight. In line with the prevailing economics wisdom, the local administration is still to get to grips with this economic plight, while the wealth of the nation - its young, educated people - progressively diminishes.

> The whole of the labor of the unemployed is available to increase the national wealth. It is crazy to believe that we shall ruin ourselves financially by trying to find means for using it and that safety lies in continuing to maintain idleness.
>
> John Maynard Keynes, 1981: 881

Picture 2: An Abandoned Village House

Picture 3: An Abandoned Railway Factory

This most recent national calamity, in proportion greater than the two national catastrophes of the early 20th century, is only to worsen the adverse position of national and local treasuries, possibly leading to a national bankruptcy. The fiscal position is not helped by the fact that the majority of ordinary Bulgarians still working in the country find themselves as scantily-paid workers at foreign-owned enterprises paying marginal taxes and unable to contribute to the greater fiscal stability of the state. On the other hand, the vast profits generated by the now privatised industries or imported foreign firms are continually exported without being subjected to apt levels of levies in order to properly fund the loss-making public services. The bank sector alone, dominated by non-native firms, generated nearly BGN2b (equivalent to €1b) in profits over the last two years, with a steep yield curve and fattening bank margins as interest paid on liabilities remained meagre, whilst the business administration costs remained comparably modest (Tsolov 2016; BNB 2017; EBA 2016).[2] This synergy has transformed their Bulgarian subsidiaries, gleaming from the offices in the high-rises of Sofia, in leaders on return on equity (EBA 2016). This extraordinary return (>10%) in the midst of appalling poverty is partly due to the failure of local political actors to protect the residents from predatory lending practices.[3] The interest-free money, earned with Bulgarian labour and deposited in these foreign bank branches, is enriching primarily overseas shareholders and does not benefit local workers or the cash-strapped social systems.

A wide discrepancy in salaries is evident without the necessary provision for a progressive tax rate. Top (banking) executives bring home hefty compensation packages, often large multiples of the average salaried worker, but still continue to pay a flat 10% tax rate. At the other end are the working poor, some 400,000 people (8% of the workforce), accompanied by 2.5m pensioners (who lost their life savings during the aforementioned two inflation periods) living below the poverty line (Trud 2017; Eurostat 2017).

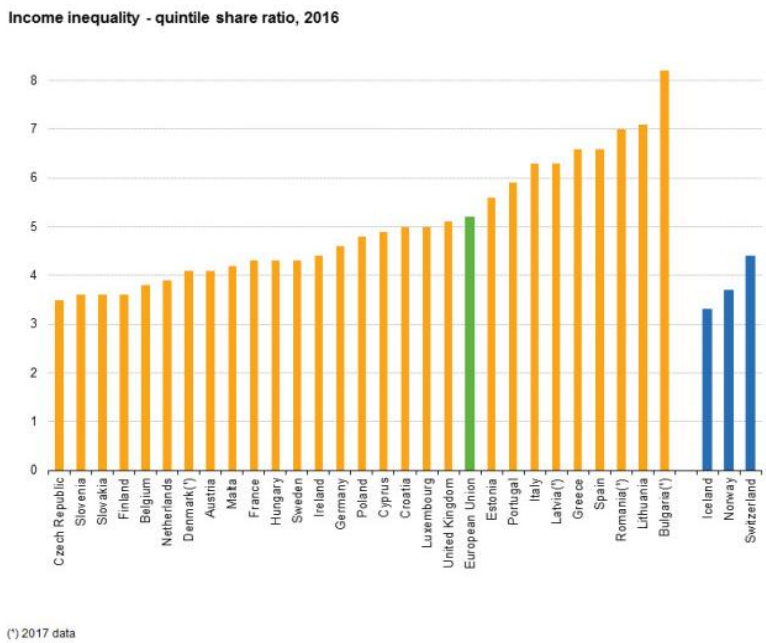
[2] The abuses of the few local, privately-owned banks to enrich a tightly-knit group of crony entrepreneurs through connected lending via a net of offshore firms and phony owners acting as a façade is pertinent to study the creation of a top social strata, which has the capacity not only to move the local markets, politics and media but successfully manage to invigorate their enrichment through privatisation. Thus, the allocation of scarce credit supply provided by truly Bulgarian-owned banks, instead of being directed to create or retain declining local employment, resulting in increased national output and income, has been focused on concentrating the real industry in the hands of the few well-connected individuals. A similar restructuring process of the Russian economy is observed by Stiglitz (2016) (for an overview on the transition from private to public property and inequality - Novokmet et al. 2018).

[3] A significant rise in the number of private bailiffs is observable over the last few years, where many (bank) debtors were either forced out of the pledged property or alternatively their valuables were confiscated in order to pay back the borrowed amount with any outstanding interest payments due to the financial institution, all of which is accompanied by high fees charged by the said agents.

To give further context of the misery, which has descended upon the country and its citizens, one needs to look no further than CIA Factbook on mortality statistics - it is listed as the third highest. When writing this preface, a breaking news transpired that the Bulgarian National Health Services (BNHS) owes more than €130m to other EU health systems, which treated Bulgarian patients over the last several years. The BNHS, however, has no funds and thus my compatriots may occasion without health cover in the EU. The unfavourable fiscal position predictably leads to chronically underfunded health, education, pension and national security sectors worsening the quality and security of life, even of those working overseas.

This state of affairs only reinforces the public view that government-managed services are a dire social burden since underpaid public bureaucrats (police and customs officers, petty public officials) actively pursue nonmarket strategies to ensure that their personal income blossoms in the otherwise democratic, pluralistic institutional order. With nearing the structural transformation of the economic life in the country, modelled upon the Anglo-American institutional paragon, unsurprisingly a similar social stratification is observable. Recently, Bulgaria championed not only as the poorest and most corrupt EU member state but also as the most Janus-faced society in relation to inequality (BBC 2016; Rankin 2017; money.bg 2018).

Graph 1: Income Inequality in the European Union



(Source: Eurostat, 2017)

Many of my compatriots deem the entrenched political elite, solicited by great greed, as the exclusive problem for the hindered economic growth and shared prosperity. While I share the prevalent opinion that local crony capitalism, largely due to the failure of enforcing lustration, as our former finance minister Djankov (2014) and MEP Kovatchev (2018) explain, contribute

negatively to the institutional quality and thus economic development, I wish to bring to their attention that the pursued capitalist variety is profoundly leveraged to concentrate fortunes in the hands of strategically well-positioned agents, also.[4] The resultant socio-economic phenomena, unequivocally the inequality and poverty tornado that has stricken Bulgaria, are logical by-products of the institutional arrangements established during its transition period though problems are multiplied by its lower ranking in the hierarchies of (state) money next to the curse of EU funds (extending Djankov, Montalvo and Reynal-Querol 2008).

A surprising fact, even to me, was that my inductive research uncovered that the dominating institutional model was a result of early modern crony capitalism and rent-seeking. The omertà of possibly the two worst types of capitalism resides at the core of the major problems faced by Bulgarian society, where two-fold layers of economic rents are extracted.[5] While the political rent extraction process is universally understood, the same cannot be claimed about the ruling neoliberal capitalist order.[6] Therefore, I have concentrated my research on the rise of finance capitalism in early modern England in order to demonstrate qualitatively and quantitatively, albeit through legal means, its rent-extracting nature, whilst creating income and wealth inequality in the process.

Leo Tolstoy (1904) conducted a similar inductive-based study on the economics of inequality and the exogenous impoverishment and the subsequent enslavement of the Fijian people. The illustrious philosopher provided a cunning account about the modern-day magical power of money, which remains hidden under its neoclassical neutrality veil epitomised with the Noble prize-winning works of scores of post-war economists (e.g. Modigliani and Miller, Lucas).

> [E]ven in the most advanced industrial economies, if we strip exchange down to its barest essentials and peel off the obscuring layer of money, we find that trade between individuals and nations largely boils down to barter.
>
> Paul Samuelson, 1973: 55

[4] The research by the independent investigative journalist unit, The Buffalo (Биволъ), is a good starting point for an introduction of the mechanics of local crony capitalism, although some of their analysis in relation to the role of the banking system is inaccurate, due to their overreliance on the financial intermediation theory (or commodity theory of money). This mistake, however, is not entirely their fault (discounting my private correspondence with them) since scores of post-war leading economists have wrongly represented the economics of banking money and credit (see Ingham, 2004).

[5] There are several layers of economic rents paid by society, but for the sake of simplicity, I disregard the lesser and already well-recognisable types such as the industrial relations between capitalists, landowners and the working class (Marx, 1867).

[6] This works does not aim to justify the atrocities and failings of the Communist regime. These topics fall outside the remit of the present study.

The uncanny, startling nature of this unparalleled political weapon is namely the invisible despotic power to keep one greater portion of society utterly vanquished and conquered by a disproportionately smaller part (Mann, 1986).[7] It is this impregnable public façade of money that has remained the mainstay of orthodox (monetary) economists in their *real* attempts to explain the *real* economy to the unlearned audiance. Or could it then be that this most unfortunate approach to research, where the origin and thralling nature of money remain invisible, be a replication of standard advertisement practice, where the informational content is aimed to distort the decision-making process of the consumers (the plebeian taxpayers) and strip them of the chance to make a sound judgment about the product (the capitalist system) (Chomsky 2014; Ingham 2004)? After all, 'power is at its most effective when least observable' (Lukes 2005:1).

With the identification of the true colours of the dominating capitalist model, then the natural question is '*Quo Vadis?'*. Clearly, an alternative institutional order must be introduced to cure the many ailments of developed, developing and transition societies, whilst securing green, sustainable economic development with an equitable income and wealth distribution. A sketch of the proposed existing, alternative framework is drawn in chapter 3.

The exogenous institutional transplantation of the Anglo-American institutional system is not restricted to the boundaries of transition countries like Bulgaria (for a concise study on Georgia see Wade 2017). Its current calamitous socio-economic stance as a result of the prescribed institutional policies, entangled with some internal jurisprudence and political system failures, is best described with Dante's portray of his passage through the gates of Hell: 'All hope abandon, ye who enter here', which has sadly turned into a national parable. It is precisely this

[7] Maude, an editor of a reprint of Tolstoy's work on inequality, comments: 'Such shrewd blows as Tolstoy struck at the self-complacency of the privileged classes were bound to evoke a retort, and those whose consciences he troubled soon realized that it was better tactics to cast doubts on his personal sincerity than to attempt to discuss his main propositions, which they wished to burk… under the auspices of the Holy Synod a very libellous pamphlet was issued and hawked about the streets of Moscow denouncing Tolstoy in a way of which we have recently been reminded by eloquent, though belated, echoes in this country'.
For a discussion on the role of the "Nobel Prize" in Economics, awarded by the Riksbank, in legitimising neoclassical economics and thus shaping policy and proselytize public support see Avner Offer and Gabriel Soderberg (2016) and Wade (2017): "The latter [Riksbank] hit on the idea of creating a prize in economics which could bask in the reflected glory of the five real Nobel prizes. They got it established against the wishes of the Nobel foundation, the Nobel family and the Swedish parliament. They largely appointed the selection committee, ensuring that for the first two and a half decades at least the prize went mainly to neoliberals. Constructed in this way, the prize sent a message to the world that neoliberal economics was the "best" economics; it helped to convince Swedish politicians and public that economics was a successful science and that the central bank (nominally owned by the state) should be run by scientific economists unencumbered by state directives. All this also helped to undermine the legitimacy of the Swedish welfare state and the social democratic movement, another important objective for those in charge" (Wade, 2017).

outcome that needs to wary the leaders of EU states in pursuit of akin economic restructuring. Regretablly such a trend of societal reformation is observable since the onset of the GFC.

For example, PIGS countries, under the guidance of Troika (the EC, the ECB and the IMF), denationalised major industries, whilst scaling up austerity in order to rollover funding obtained from the said organisations. These new, debt-credit transactions have not necessarily resolved the underlying structural problems (Varoufakis, 2015). In addition, the on-going privatisation process facilitates the further concentration of assets and income in the hands of the global elite, some 91,000 people or even fewer since accurate data from tax havens is inaccessible, who now hold more than 50% of global wealth.[8] In parallel, the many regular citizens in the EU southern periphery face increasing tax burden and narrowing social security nets, which reduces their quality of life. Thus, the presented study must be of interest to a wide cross section of societies in southern Europe, which are now in a transition process to an institutional model governed by the Anglo-American capitalist spirit.

This research is, however, most relevant to Anglo-American taxpayers since a sizable part of their income, labour and wealth have been appropriated by the state over the last few centuries with the subsequent redistribution and concentration of monetary resources as payments on a perpetual fund of interest to a miniscule fraction of society. This process has allowed the stockpiling of ineffable fortunes, whilst reducing many to a tenant status.

The latter is a little accepted fact in the modern-day capitalist order but it must be acknowledged since banking firms treat mortgages as assets until the capital amount lent plus interest are fully repaid.[9] Thus, many 'homeowners' are all but tenants with a claim on a property, whereby a failure to discharge mortgage instalments, beyond doubt, results in increased homelessness. There are over 300,000 homeless people roaming the streets under the gloomy skies of Britain (Shelter UK 2017). With the continuing financialisation of the economy, it is a permissible thought that income and wealth disparity will increase, despite the *alleged* attempts of political actors to create an inclusive economic system, charactarised with its sustainable growth (G20 Summit in IMF 2017; Stiglitz 2015).

Lord King (2016) insinuates that these attempts are doomed to failure until an intellectual revolution occurs which recognises the rent-extracting, wealth-concentrating nature of the pro-

[8] Oxfam (2017) recently estimated that the 8 richest people (Bill Gates, Amancio Ortega, Warren Buffet, Carlos Slim, Jeff Bezos, Mark Zuckerberg, Larry Ellison, and Michael Bloomberg) own as much wealth as half of the world.

[9] After the repayment of a standard UK mortgage of £200,000 issued at 3%, the commercial underwriter will have generated an interest free profit of over £84,000 over the 25-year year period.

pagated Anglo-American capitalist order, dominated by pecuniary interests as this doctoral research later demonstrates. The true goal of the structural changes, a promising young leader of the EU recently disclosed, is to create an *egalitarian* society, where common folk is reduced to *proletariat*: 'I own nothing, I have no privacy and life has never been better' (Auken 2016). This vision is not too far from materialisation with nearly 40% of taxpayers with zero net worth (Atkinson 2015). Could the bolder economics researcher dare claim that the present-day stance of neoliberal capitalism has evolved to *private communism*, where a miniscule but very resourceful cabal, in terms of social and financial capital, adjusts government regulation and central bank policies to further leverage accrued benefits at the expense of not only the poorest members of society and the vanishing middle class but also people at the skirts of the top percentile (see Stiglitz 2012)?

> without big banks, socialism would be impossible. [They] are the state apparatus which we need to bring about socialism, and which we take ready-made from capitalism…
>
> Lenin 1917 in La Porta, Lopez-de-Salianes and Shleifer 2000

Some independent observers may attempt to discredit this research with the term - 'populist', usually defined as anti-laissez faire in the mass media (which in most cases is actually owned by the 0.001%) (Barnett 2010; Chomsky 1991; Guriev 2018; Rodrik 2018; Rovira Kaltwasser 2018). Once the correct definition of the word is applied, this is, fortunately, a correct assessment. The Oxford dictionary defines the ill-abused term as 'a political approach that strives to appeal to ordinary people who feel that their concerns are disregarded by established elite groups'. The aim, content and conclusions presented here predispose this study to be classified as such.

On the other hand, it must be noted that the propositions laid here do not attempt to revive state capitalism (though this social order has its merits and demerits) despite that some terminology used to classify and define current socio-economic anomalies are reminiscence of those first coined by the original Karl Marx (1867) and his collaborators. On the opposite, all proposed structural changes are aimed at encouraging small businesses and entrepreneurship, which lay in the heart of innovation, employment and economic growth in the spirit of *liberté, équité* (*not égalité*), *fraternité*. The latter high social goals can be achieved only through a decentralised system of money, which is less susceptible to manipulation and the whims of a very wealthy, thus influential clique.

Introduction

Source: WNYC, 3rd July 2014

Picture 4: Scales of Inequality

Rationale for Research

Economic inequality has been on the rise since the Global Financial Crisis (GFC) (Piketty 2014; Stiglitz 2012, 2015; Atkinson 2015). The richest 1 per cent owned 41 per cent of all the wealth in 2013, rising to 48 per cent and 50 per cent by 2014 and 2017, respectively (Oxfam 2017). Over the last year, the existing 2,043 billionaires in the world added $762b to their wealth as a result of the macroeconomic policies pursued by central banks (Stiglitz 2012; Sachs 2015; Galbraith 2012). An amount, which was sufficient to eradicate extreme poverty world-wide, where '1 in 10 people survive on less than $2 a day. Inequality is trapping hundreds of millions in poverty; it is fracturing our societies and undermining democracy' (Byanyima in Oxfam 2017).[10]

Inequality has been fuelled by the folly of austerity measures, deleteriously affecting the life standard of oodles of regular citizens in contrast to the pomposity, splendour and riches enjoyed by top-flight capitalists, predominantly bankers. The latter continue to enjoy an opulent, lavish lifestyle without any retribution for their actions, which had caused the most severe economic crisis in the Occident since the Great Depression.[11] In the midst of economic wretchedness for billions of people, the funerals of the richest are becoming a final display of the wealth and power they command during their earthly times – '[they are] laid to rest in $60,000 gold-plated coffins and ferried by horse-drawn funeral carriages or Rolls-Royce hearses. Some are even flying friends and relatives to exotic locales for destination funerals' (Carville, 2018). James K. Galbraith (2012) recounts that states with larger financial sectors have greater inequality and the link is not an accident as we shall establish later as well.

Unsurprisingly, the anomaly of income and wealth inequality, to which a string of antagonistic social phenomena is attributed, ranging from higher crime and incarceration rates through heightened number of divorces and expensive, inefficient healthcare to limited access to quality schooling (Dorling 2014; Stiglitz 2012, 2015), has caused common folk to rekindle their interest in the topic. The public demand for insights has been facilitated by a growing body of popular and academic literature, which is not only measuring economic inequality but also debating contributing factors to this economic riddle, which had, has and will continue to have dire consequences upon societal organisation, structure and functioning. Economic literati of the highest calibre have advanced a wide range of explanations.

[10] Extreme poverty is defined as persons, who live on less than $1.9 per day (Oxfam, 2017).
[11] Iceland is the only state, which charged the responsible parties for the crash.

For example, Nobel Prize winner Joseph Stiglitz (2012, 2015, 2017) highlights that society is reaching an intolerable level of inequality under an institutional system, which produces rent-seekers rather than incentivising new wealth creation, distributed more equitably across the social spectrum. The rent-seeking bracket includes top-flight monopolists, lawyers, financiers and many of those supposed to regulate the capitalist system, but who have been seduced by lobbyists and greed.[12] In line with his claims, Alvaredo et al. (2018) find that top 1 per cent has captured twice as much total growth than the global bottom 50 per cent between 1980 and 2016. Tcherneva (2014) computes that between 2009 and 2012, while the economy was recovering from the GFC 116 per cent of the income growth went to the top 10 per cent (with the top 1 percent taking home 95 per cent of the gains). This impressive return was achieved at the expense of the working classes, she concludes: 'The wealthy will stay wealthy and the poor will stay poor . . . on average, it will take someone at the bottom of the income scale five generations just to reach the mean' (Ramos in Strauss, 2018). An OECD (2018) report sheds light on the economic fractures that have fuelled populism with the younger generation who are now increasingly pessimistic about the chances of matching their parents' standard of life.

This unfair distribution through macroeconomic policy-making affects lives, productivity and, ultimately, the security of the 1%. Capitalism must be snatched back from free market fundamentalism (the Chicago boys, the World Bank and the IMF) and instead be put to the service of the many, not the few economic agents, with the aim to avoid a social revolution, Stiglitz (2012) warns:

> When the social contract is abrogated, when trust between a government and its citizens fails, disillusionment, disengagement, or worse follows. In the United States today, and in many other democracies around the world, mistrust is ascendant.
>
> Joseph Stiglitz, 2012: 151

[12] Stiglitz defines monopolists as the illusion of competition in the United States of America's banking market. While the USA boasts thousands of banks, the big four hold half of the deposits. In comparison, the situation in the United Kingdom is worse. The big five banks hold more than 90% of all deposits. Therefore, it is hardly surprising to find support for Stiglitz' 'grabbing hand view' in the (UK and US) banking sector, in line with Djankov et al. (2000). Several papers (Jayartne and Strahan (1998), Black and Strahan (2002), Cetorelli and Strahan (2006) and Kerr and Nanda (2009)) find dramatic increases in start-up activity subsequent to increased competition on the banking market. Aaydari, Demirguc-Kunt and Maksimovic (2017: 18) note that: 'Overall, the evidence suggests that increased competition between banks facilitated the provision of cheaper credit and better allocation of capital to new projects'. This finding urges for more competition in this core economic sector and the introduction of banks with different business models (Mazzucato, 2018).

Similar concerns are expressed by Thomas Piketty (2014) in his classic work 'Capital in the Twenty-First Century'. There, he sketches the evolution of income and wealth inequality since the Industrial Revolution. In the 18th and 19th centuries, the modern-day Karl Marx contends, that societies in the Occident were very unequal since private wealth dwarfed national income. A few rich families, who governed a relatively rigid class structure, held a dominant part of wealth. The social status quo was challenged with the rise of the welfare state, unionism and expanding workers' rights after the World Wars, which resulted in a more equitable order. Society is now heading back to the previous rigid social structure due to the promoted laissez faire system, which has a natural tendency towards income and wealth concentration. Piketty prescribes a progressive annual global levy on capital, which could start at 0.1% and hit a maximum of 10% on the greatest fortunes, supplemented by a punitive tax on high income earners.

Sir Anthony Atkinson (2015), nicknamed 'the godfather of modern scholarship on the distribution of income and wealth' by his student Piketty, has advanced thought-provoking progressive ideas in his scholarly work. Like the other two researchers, the Oxford professor, by grinding through a spectrum of policy changes materialising since the 1980s, clarifies why laissez faire cannot be relied on to deliver the best outcome for the economy and society. In his view, these economic policy and technological changes introduced a structural break, which allowed for the Great Diversion in economic inequality. Government intervention could help, he attains, particularly in relation to top pay and corporate mergers. The doyen propounds sharp increase of benefits funded by an increase in income tax for top earners, which will alleviate inequality. Higher top tax rates are justified, if inflated executive salaries are awarded at the expense of others. Corporate amalgamations should no longer be waved through by legislators on the unproven axiom of lower consumer prices, whilst ignoring job prospects of workers (Wolff 2012). Public policy should take some responsibility for the direction of technological development, instead of passively submitting to the free markets' outcome. Thus, his magnum opus proposes that in a world of imperfect competition, evidenced with (the increasingly) frequent City shenanigans, strategic intervention by the government could greatly help to reduce economic inequality, including through the introduction of a taxable universal basic income for children.

A common denominator in Stiglitz' and Atkinson's studies is that both scholars focus their narratives on a particular period - the ascent of deregulation in the 1980s - in the US and UK, respectively. Their short-sightedness in analyses strongly contrast with Piketty's longitudal approach, where he measures inequality throughout the last few centuries. I agree with and

utilise both research methodologies. In other words, I take the *integrationist view*. In the first instance, much like the former two intellectuals, I study in depth a major institutional break, which occurred in the late 17th century England, when financiers replaced the landowning class at the apex of the social pyramid (Marx 1867). This is then followed by a Pikettian-style macroeconomic study in the very long run with the aim to empirically evidence the dynamics behind economic disparity within the then newly-founded and still governing capitalist order.

Despite some dissimilarities in the narratives of the three economic highbrows, an analogous solution is advanced. Namely, they propose income and wealth redistribution to be conducted through democratic political institutions and the fiscal apparatus. Their rejoinder, however, is resonating of the misplaced belief that contemporary society is ruled by inclusive, pluralistic political institutions supported by an independent and unbiased judiciary system, all of which operating amid an irrelevant banking sector that performs no vital role in the economy, as proliferated by neoinstitutional economists (e.g. Acemoglu and Robinson 2012; Acemoglu, Johnson and Robinson 2006; North and Weingast 1989).

A contrasting picture of the modern-day institutional equilibrium is revealed once a historical prism is applied, followed by an *ex post* construction of policy recommendations. This was the dominant methodology for research in economics until the mid-20th century, when it was replaced by the contemporary deductive methodology (Temin 2013; Ingham 2004). The latter approach is classified by an ex-Governor of the Bank and now Alan Greenspan Professor of Economics at NYU Stern as:

> … if you read [economics] work in the reverse order to that in which it had been written, you could see that the subject made some progress. The same might be said today about the subject of (monetary) economics … money has disappeared from the picture altogether. Earlier generations of monetary economists would be baffled.
>
> Mervyn King, 2018: 21

The inductive approach is applied throughout this work in combination with the appropriate modelling of *money, credit and banking*, which have so far been largely absent from the field of macroeconomic models, policy-making and the politically-fuelled topic of inequality since the end of the wars. By adopting *Die Historische Schule der Nationalökonomie* approach, this empirical-based research finds that both the monetary and fiscal systems (which have been scratched by Stiglitz 2012, 2015) are the underlying reasons for economic inequality in Anglo-

American society - an institutional framework, now, being exported to other countries through structural reformation of economies, imposed by supranational organisations.[13]

Firstly, this research demonstrates that the state fiscal apparatus acts as a collecting agent from the many productive taxpayers by unilaterally seizing part of their productivity and income, followed by the reallocation of these monetary resources in the hands of national debt creditors. This is an important explanatory variable absent from the leading inequality models developed by contemporary theorists. By delegating more extracting rights to governments in lieu of creating more equitable society, a likelier outcome is widening income and wealth gap between taxpayers and the said creditors since political actors are historically proven to be susceptible to influence through nonmarket means (Stiglitz 2012, Atkinson 2015).

Secondly, chapters 2 and 3 demonstrate that the monetary system has been largely privatised for the benefit of a small number of economic agents since the end of the short 17th century. This aspect has, unfortunately, not been a focal point for inequality researchers although many have criticized the role of financiers without incorporating the credit view of pecuniary matters. This is a novel contribution of this work.[14] The study proposes a radical modification of the monetary system in order to distribute income and wealth in a direct, equitable fashion instead of relying on a fair redistribution by unbiased political elite and welfare-leaned state.

Despite the fact that this research centres on the role of a single credit institution, the Bank of England which initiated the turn of equality tides by legalising private credit creation, the advanced arguments can easily be extended to the modern day. Since governments are strictly forbidden to monetary finance their expenditure (Article 123 of the TFEU)[15], national debt is still underwritten by private commercial banks, which continue to manufacture and allocate new deposits in the process of lending (Bundesbank 2017; McLeay et al. 2014; Carney 2009; King 2016; Reinesch 2017; Turner 2015; Banque du France 2018; Coimbra and Rey 2018):

> Credit has been found to be an important variable ... It is therefore a first order issue to understand better credit creation and credit dynamics.
>
> Nuno Coimbra and Helene Rey, 2018

[13] The IMF and the World Bank were coincidentally envisaged, proposed and implemented by the most famous and influential economist of the 20th century John Maynard Keynes, at the time a Bank of England director, shortly before its nationalisation and the decolonisation of the British empire, which resulted in a substantial growth of the number of central banks around the globe, which needed advice on economic development (which also triggered the start of this new economic discipline (in the English speaking world)) (Wade, 2012).

[14] As the principles of good history research and collegiality entail, it must be pointed out that earlier research on the roots of inequality and the role of the banking system does exist. The reader is invited to study Father Fahey's (1944) Money Manipulation and Social Order, or for this matter Leo Tolstoy's (1904) The Enslavement of Fuji, which is to be republished in the Journal of Banking, Finance and Sustainable Development.

[15] TFEU means the Treaty on the Functioning of the European Union.

> Bank lending is at the heart of the money creation mechanism: monitoring developments in the bank lending is key to … monetary policy...
>
> Banque du France, 16th April 2018
>
> The (commercial) banking system … ha[s] the ability to create money ...
>
> Deutsche Bundesbank Monthly Report, April 2017: 21

By investing money created *ex nihilo* (out of nothing) in interest-bearing central government securities, these private credit institutions continue to enrich shareholders at the expense of tax-paying society. In 2001, private money creation is estimated to cost the British taxpayer in excess of £66b pa (Huber and Robertson 2001) - an amount, which will suffice to alleviate the austerity measures and the subsequent deteriorated provision of core state-run services such as healthcare, education, and security to the populace.

A decentralised institutional order designed to lessen economic inequality, whilst promoting sustainable economic growth and social cohesion, is outlined here. Rhenish capitalism, as defined in the *varieties of capitalism* literature (or also known as the German coordinated system and the stakeholder model), is found to deliver namely these results. Coincidentally, such a social order locates high on the G20 ministers' agenda. A recent study on inequality shows that the results of the pursued policies by them are less than satisfactory for the taxpayer. Over 75% of respondents deem that this dire social concern must be addressed rapidly (Takeuchi 2014). With this task at hand, international policymakers, instead of promulgating the rent-extracting Anglo-American capitalist archetype, are urged to model developing and transition societies upon the social democracy principles still governing but regrettably retreating from Germany and the Nordic states (Storbeck 2018).

> A subtle yet substantial shift in political priorities is taking place in Berlin…In its courting of corporate interests, Berlin has usually been fond of carmakers, engineer-ing companies and Germany's famed swath of family-owned *Mittelstand* businesses … [The government] has been at best indifferent to, and at times, suspicious of, glo-bal financial industry – a stance shared by much of the German public in the wake of the financial crisis…Yet [the Chancellor] Ms Merkel and [finance minister] Olaf Scholz… have started a rapprochement, wooing large, global lenders and positioning themselves much closer to the financial sector.
>
> Olaf Storbeck, 2018

Chapter 1: Princes of the Pound

Studying the Bank of England's commissioned histories (e.g. Clapham, 1944, Kynaston, 2017), it was surprising to find that these (auto-) biography accounts are conspicuous in the absence of any in-depth discussion of the institutional entrepreneurs (IE), who initiated its creation. Thus, the chapter examines in depth five of the entertained founders of the Bank – the buccaneer Scotsman William Paterson, the Chancellor of the Exchequer Charles Montague, King William III (originally Willem van Oranje) and the Whig radicals Michael Godfrey and Sir John Houblon.

The paper contextualises the role played by each key institutional entrepreneur (as defined by Battilana, Leca and Boxenbaum 2009) in the erection of the enterprise by making use of the *historical organisation studies* in the explicating mode, developed by Mairi Maclean, Charles Harvey and Stuart Clegg (2016, 2017). This (management) research methodology adopts at its core the unconventional arguments made by one of the prophets of applied historical research in economics and entrepreneurship Joseph Schumpeter.

With the use of this inductive methodology to the research question at hand: 'Who were the masterminds behind the Bank of England?', it is unearthed that the well-honed official narrative about the founding fathers of the Bank of England (William Paterson, Charles Montagu and Michael Godfrey) disintegrates, especially once Piketto-Schumpeterian examination across time and space is applied. By juxtaposing institutional entrepreneurship theory and empirical evidence, the French Church of Threadneedle Street, led by the Houblon clan, is revealed as a better identifier behind the creation of this epochal institution of capitalism.

As a result, in contrast to Piketty's (2014) research, Chapter 1 allows the reader not only to understand how a few rich families came to dominate society and sit atop of the rigid social pyramid at the time of the Industrial Revolution, but also reveals how a tightly-knit group of entrepreneurs managed to successfully influence field characteristics in order to create a rent-extracting institution in the form of a privately owned Bank of England underwriting national debt, with money created *ex nihilo,* on the security of raising tax revenue of the state with the ultimate aim of self-enrichment.

Chapter 2: The Forging of Capitalism

With the continuation of the inductive research through primary and secondary sources, this chapter illuminates that the newly founded Bank of England did not intermediate existing funds. In lieu, the firm engaged in money *creation* through fiduciary issuance of paper credit, colloquially known as banknotes today. This privatisation of credit issuance by a small clique of *identifiable* Whig entrepreneurs, who actively sought recalibration of the institutional equilibrium throughout the 17th century in order to legitimise this wealth-concentrating economic activity, is established as the moving factor behind the Revolution of 1688.

A sketch of the transition from an absolutist monarchy to republic, as envisaged by the father of the Houblon brothers, Jacques (James), is grounded. The structural reformation of political institutions was completed with the replacement of the legitimate English king James II with a foreigner, the Dutch Stadtholder Willem van Oranje, after the last successful invasion and occupation of England, launched from the then banking centre of Europe, the Low Countries. An ensuing war with France, lobbied for by the City's Whig merchants, quadrupled national expenditure causing considerable national deficit. These unfavourable fiscal settings posed as suitable field characteristics for the small enterprising clique of City-based merchants to offer a solution to the arisen problem – to found a bank, which was to lend money to the government on the security of raising tax revenue. With the erection of the Bank, the institutional break was completed.

This exogenous shift in the institutional equilibrium has resulted in the entrenchment of a rent-extracting capitalist order in England in contrast to North and Weingast's endorsed neoclassical hypothesis of an inclusive, pluralistic institutional framework. The established system, which has seen little change to this day, is governed by the symbiotic relationship of private money and public debt, where riches flow from the many productive taxpayers to the few (Bank) shareholders. This institutional status quo is safeguarded by an independent judiciary system, enforcing debt contracts in favour of lenders under a façade of protection of private property rights. That is to say, the state unilaterally appropriates part of the income and production of ordinary taxpaying citizens and reallocates such monetary gains to national debt creditors in order to satisfy interest payments on legal, contractually-binding debt contracts (Knapp 1905; Tcherneva 2016; Ingham 2004). More precisely, the religious cabal of the French Church at Threadneedle Street, led by the Houblon dynasty, managed to create suitable field characteristics for the erection of a privately-owned banking enterprise to underwrite national debt with the aim of self-enrichment.

Chapter 3: The Roots of Economic Inequality

Chapter 3 presents a detailed qualitative survey on the rise of the British fiscal-military state which is contrasted with the erstwhile institutional order where charges and levies came rarely, fell lightly and only on a few people. It is also reported that public debt had been accumulated by state warfare, not welfare spending. This is followed by an examination of the empirical relationship between national income, expenditure and debt charges of the British government over the very long run (1694 – 1940). The calculus shows that debt charges played a critical role in reallocation of money from the many taxpayers to national debt creditors.

Since interest payments on national debt concentrate monetary resources in the hands of the few, government officials are urged to commence structural reforms to remedy this transfer process, as alluded to by Stiglitz (2012, 2015), which produces great inequality not only in assets, income and wealth but in opportunity, health, and education, too (Atkinson 2015; Dorling 2014; Piketty 2014). Thus, statesmen need to have a clear agenda and vision, when designing the new institutional order in order to deliver an equitable, prosperous society.

The seasoned diplomat Kissinger (1994: 27) minutes that decisions by senior politicians are usually taken under a rigid time constraint in contrast to analysis by intellectuals. Therefore, it is of vast importance to lay a sound solution to policymakers with their severe time limitation in mind, despite the fact that the truthful nature of the functioning institutional framework was identified and brought to their attention some time ago.

> Where the Publick is indebted, a large Proportion of the Revenues arising from the Annual Income must issue out to the satisfaction of those Debts: from whence it follows, that the Land and Labour of the People, must go to inrich the Mony'd Men and Usurers and not to support the Government… all methods should be us'd to get out of their Hands as soon as possible.
>
> Charles Davenant, 1698, vol.1:199-200

Firstly, to alleviate the interest burden imposed on the public, it is proposed that governments should wipe national debt away through a Biblical *deror* (opposite to Goodhart and Hudson 2018). A damning outcome would be the reduced concentration of political resources in the bottomless pockets of banking gurus (King 2016). Secondly, the restructuring effort can be supplemented by a decentralised pecuniary system, where the benefits of credit creation can be spread in an *equitable* fashion throughout society. Thus, an institutional system consisting of community banks is compulsory where money as debt (IOUs) (Ingham 2004; Tcherneva 2016;

Werner 2005) exists to facilitate the production and exchange of goods and services at the local and international level without the need to subordinate one larger fraction of society to another disproportionately smaller. Within this alternative universe, interest pro-fits may be redistributed to local stakeholders as envisaged by Lewis (1682). He proposed the creation of a constellation of local banks across England, where generated profits were to be used for promoting the common good.

Concluding Remarks

Within this doctoral study, the reader will find a diverse range of examined research angles in order to construct an inductive interdisciplinary account from a historical perspective about the (invisible transfer) forces behind economic inequality. It has been argumented that the uneven distribution of income and wealth, so intensely measured over the last few years (Piketty 2014; Stiglitz 2012, 2015, 2017; Saez and Zuchman 2016; Atkinson 2015), was embedded in the contemporary institutional framework when it was first established by a highly-religious cabal of institutional entrepreneurs, who denationalised credit creation with the erection of the privately-held Bank of England. Concurrently, the state was reduced to a tax-raising apparatus, appropriating resources on behalf of these private (merchant bank) interests with a significant proportion of fiscal proceeds reallocated in their hands. This transfer of monetary funds lies in the epicentre of the current debate on economic inequality. An alternative institutional order has been sketched, where money as debt may and can service the common interest.

This inquiry lays the foundations for manifold scholarly work. For example, sociologists may pursue a more detailed study of the institutional entrepreneurs, who initiated the creation of the Bank of England. Non-market strategists may trail how the benefactors of the new world order managed to by-pass legislators with opposing worldly views when proposing the formation of a ‘publick banke’ since on two previous occasions any such application was refuted. However, a crucial research task is to identify whether similar rent-extracting institutional frameworks have been established and operating elsewhere in the world at different times, which will only enhance the strength of the findings made herein. For the moment, it suffices to state that there are several possibilities, which can be pursued.

Princes of the Pound:
Who Masterminded the Creation of the Bank of England?

(Source: Lady Jane Lindsay - Alice Archer Houblon, *The Houblon Family, vol. 1*, 1907)

Picture 5: The Sealing of the Bank of England Charter 1694

Abstract

We examine the founders of the Bank of England and contextualise their role in the erection of the enterprise, making use of a *theoretically informed historical narrative* in the explicating mode. We find that the well-honed official narrative about the founding fathers of the Bank of England (William Paterson, Charles Montagu and Michael Godfrey) dissolves once Pikettian examination across time and space is conducted. By juxtaposing theory and empirical evidence, we can show that Threadneedle Street's French Church community is a better identifier behind the creation of this epochal credit institution.

Introduction

Rowlinson and Hassard (2013) observe that if

> "Firms are created by entrepreneurs who have a vision of how the concerted effort of the right group of people can create a new product or service in the market place", then the archives can be scoured in order to identify entrepreneurs and their visions, securing immortality for them in the historiography.
>
> Michael Rowlinson and John Hassard, 2013

This is the enterprise we set out on.

'Almost since the inception of the corporate form …', Suddaby, Foster and Trank (2010) report that, '… managers have understood that a statement of the corporation's longevity can construct a sense of stability and legitimacy… [and that] nearly all companies produce historical accounts of themselves' (Suddaby, Foster and Trank 2010:156). Yet, many organisations that produce their own corporate history aim to influence the public image of their business and are not primarily interested in producing meaningful management and economics knowledge, based on rigorous historical analysis. The knowledge that history is manageable (corporate) asset is not new (Suddaby, Foster and Trank 2010, 2016; Maclean, Harvey, Sillince and Golant 2018; Smith and Simione 2017), particularly for constructivist historians who see history as mallable. Such a view of history, as a form of persuasion and a rhetorical device that can be manipulated, reconstructed and used to create authenticity, seems to have been adopted by corporations and their managers and strategists (Ooi 2002; Holt 2006; Foster, Suddaby, Minkus and Wiebe 2011).

Through a historical prism, corporate histories in book form were often confined to only the largest and wealthiest corporations. With the rise of the Internet, the increasingly prominent History section on corporate Web sites serves a constalletion of firms of all sizes and legal shapes to legitimise their business practices in front of their intended audiences, both internal and external. This digitalisation process has opened up history as a strategic resource to a broad cross section of organisations but still the most mature, sophisticated players will hold a dominant expert position in the field of historical narrating as they will have the resources to mould history best in their strategy building and attempt to *retain* a competitive advantage.

The use of history is vital in services industries (e.g. financial services) because their products are undifferentiated. For example, a bank's history offers legitimisation based on endurance as well as basis for differentiation (Suddaby, Foster and Trunk 2010; King 2016):

> In a relatively undifferentiated market like financial services, in which most institutions have similar products and services, marketing and advertising are key competitive elements. When a vast majority of an institution's customers are retail, with a strong notion of loyalty to a stable and reliable repository for their money, then history is an important corporate asset.
>
> Roowan, 2009: 60

Thus, two types of histories must be demercated. The first is business histories written by scholars at an arm's length from the examined firm. Such academic studies are not a subject of discussion in this work. The second type is corporate histories where a company commissions an (auto)biographical account, usually to professionals. These corporate histories are oft charactarised with a limited intellectual depth but are better classified as rhetorical histories. The commissioned narratives are virtually always chronological and present an unproblematic and chronological chain of (pre)selected events, celebrating the firm's growth and expansion (Delahaye et al. 2009: 35) - success is the overriding theme at the expense of any controversy and/or failure. In the words of Suddaby et al. (2010:161), corporate narratives are 're-constructions of the past intended to valorize the corporation and advance its purposes'. Thus, an instrument to position themselves in favourable terms in the social memory of societies. The greatest credence to these constructed narratives is given when the account is developed on archival papers by (famed) scholars.

This notion is relevant when considering the Bank of England's corporate history accounts (Rowlinson, Hassard and Decker 2014). The most important histories of this business are (later

Sir) John Clapham's two-volume 'The Bank of England: A History', Richard Sayer's 'The Bank of England: 1891 – 1944', John Fforde's 'The Bank of England and Public Policy 1941 – 1958', 'The Bank of England: Money, Power and Influence 1694- 1994' edited by Richard Roberts and David Kynaston, and most recently Kynaston's 'Till Time's Last Sand: A History of the Bank of England, 1694 -2013'. It may be argued that all these accounts are commissioned corporate, or in the very least patronaged by senior management (e.g. King's commendation of the production of the latest on the Bank) and thus official, histories legitimizing the enterprise in the eyes of its internal and external stakeholders.[16]

Examining these accounts, we were surprised to find that they are conspicuous in the absence of any in-depth analysis of the institutional entrepreneurs (IE), who initiated its creation. The discussion on the founding fathers of this noble capitalist firm is usually limited to a few pages, revolving around Paterson, Godfrey and Montagu with sporadic appearances by Willem van Oranje, and much rarer cameos by the Houblons (Dickson 1967; Clapham 1944; Guiseppi 1966; Acres 1931; Kynaston 2017). The de-contextualization of the IEs initiating the Bank's creation from the surrounding socio-economic environment (the foreign invasion, occupation and violent disposal of the English King in 1688) and their actual engagement in the creation of the firm, in the short- and long-term, does not allow the observer to recognise the constructed plots 'as ringing true' (as defined Geertz, cited by Maclean et al.) (Carruthers 1996; Pincus 2010; Israel 1991, 2002; Pincus and Robinson 2011; North and Weingast 1989; Glozier 2008; Maclean, Harvey and Clegg 2016, 2017).

Pearson (2016), based on the argument by Scholtyseck, himself a hired corporate historian, emphasises 'the importance of precise agreements between the historian and the commissioning company' (Pearson 2016; King 2018; Offer and Soderberg 2016; Romer 2016; Galbraith 1987). Pearson argues that (financial) arrangements may give rise to 'massaged' corporate histories. The aim of such histories, as the Cambridge Professor Coleman (1987) highlights, may be prestige advertising in attempt to shape the public perception and the business image, whilst building a particular brand (Moore and Reid 2008; Foster, Suddaby, Minkus and Wiebe 2011; Ooi 2002; Holt 2006). Coleman concludes that most corporate accounts, produced either as commissioned work by academics, or by in-house staff (archivists), are:

[16] Bank of England Staff Handbook (2018: 32): 'The reputation of the Bank is a valuable asset. Managing reputational risk is therefore an important consideration.'

> [A]necdotal, soap-opera history; unreadable academic company histories which are all narrative and without analysis of issues; a mere public relations purpose in commissioning company histories; and all unread histories.
>
> Donald Coleman, 1987: 154

There are reasons to expect this type of nonmarket strategy to be particularly important for the banking houses. They rely heavily on their public image and indeed the credit, or credo (in Greek: faith), by the general public as well as that of other credit firms in the soundness of their promises to pay back deposited money, if and when recalled (Kim 2011; Forbes 2013). Without the faith of the non-bank sector that banking enterprises can honor their liabilities as they fall due, the business model of the latter collapses (Ingham 2004; Werner 2003, 2005).

Given the Bank's great importance in the national and international monetary system (Knafo, 2013), serving as a pillar and a model for the rest of the world to follow, it is at the very least worrying that Coleman seems to include the Bank of England's corporate history accounts in his above assessment, noting that

> in 1938, the Bank of England commissioned a 250-year anniversary history from the then professor of economic history at Cambridge, [later Sir] John Clapham. This, however, was very much an official commemoration of a venerable British institution, seen as distantly related to God…. The most probable reason for the acceptance of such projects by boards of directors is that they saw them as fairly inexpensive public relations exercises, sitting somewhere between prestige advertising and patronage of the arts.
>
> Donald Coleman, 1987: 143-144

By addressing Coleman's (1987) grave concern about the prevailing lack of meaningful engagement of business history in generating management and social knowledge, we aim to fill this gap in the literature with the careful study of the founders of the Bank of England. At the same time, our goal resonates with the current debates about the involvement of history in management studies and the engagement of business history with a wider array of research disciplines (Kipping and Üsdiken 2014; Rowlinson, Hassard and Decker 2014; Maclean, Harvey and Clegg 2016; Maclean, Harvey, Sillince and Golant 2018; Foster et al., 2017; Suddaby et al. 2010, 2016; Perchard, Mackenzie, Decker and Favero 2017; Jones, van Leeuwen

and Broadberry 2012). We are also making an attempt to respond to the challenge to business historians raised by Maclean, Harvey and Clegg (2017) in the indistant past.

More specifically, we embark on the endeavour to contextualise and thus identify the (true) founders of the Bank of England and their short- and long-term roles and activities in the creation of what amounts to the most powerful and successful private sector economic entity in England, which underwrote government debt through a fiduciary issuance of promissory notes, on the guarantee of raising tax revenue (Roseveare 1991; Saw 1944; Dickson 1967; Clapham 1944). Thus, our study is closely related to the study of managerial elites, which is gaining prominence amongst scholars, including in the USA (Decker, Kipping and Wadhwani 2015). Maclean, Harvey and Chia (2010) and Maclean, Harvey and Press (2006) who investigate managerial elites, concur that the study of power or what Bourdieu (1996) labelled as 'field of power' is integral to the study of the history of capitalism,

> the power of firms and business people to not only influence markets but also politics and society.

In our endeavour, we distinguish between organisational myth-making and actual, historical research, whereby 'historical research [may be] badly … reduced to organizational myth-making, as if there was no difference between a carefully researched, archival … history and the mythologized past invented by an organization. In fact … the interplay between the two … offers the kind of juxtaposition that facilitates the deconstruction of both myth and historical narrative alike' (Decker 2016). Re-evaluating judgment, and thus (corporate) histories, is essential since our views and these of other investigators are located within different regimes of evaluation, which is then echoed in the expressed distinct assessments. This is not inevitably the case with history - in part British. The Cambridge historian Butterfield warns scholars who approach secondary literature on British history about the possibility of bias:

> [I]t appears that the historian tends in the first place to adopt the Whig or Protestant view of the subject, and very quickly busies himself dividing the world into the friends and enemies of progress.

Herbert Butterfield, 1931: 4-5

Could the narrative accounts about the institutional entrepreneurs engaged in establishing the most Whig institution – the Bank of England – be another such example? Coleman (1987) commends to first study the historian behind the narrative and only then engage with his works.

The largely inductive approach adopted by us allows us to minimise historical bias, while adhering to the five core research principles set out by Maclean et al. (2016, 2017).

By engaging in their research framework, this paper validates that history can be successfully integrated into management science in order to generate and re-evaluate existing theories. At the same time, we demonstrate that applying management theories helps in identifying sounder historical narratives (Schumpeter 1949; Maclean et al. 2016, 2017).

The present work is organised as follows: Section 2 discusses the need for integration between management studies and business history, and the adopted *historical organisation studies* in the explicating mode. This section clearly defines the archival sources utilized by us in order to bring the paper to the high standards acceptable to social scientists, whilst drawing on insights from rhetorical history and intertextuality. The next section lays out scholarly research in institutional entrepreneurship. Then, section 4 contextualises the role of institutional entrepreneurs in the creation of the Bank of England along with the allocation of the benefits from the creation of this powerful enterprise. Adherent to the dual integrity principle, section 5 describes the contributions of the investigation both in business history and institutional entrepreneurship.

Integrating Management and Business with History

History matters, as Jones and Khanna (2006) argue. History explains how the world evolved to its present state. On a narrower level, business history represents successfully implemented entrepreneurial strategies in order to advance the firm's goals and targets (Coleman 1987; Raff 2013). Unsurprisingly, management scholars recently made a 'historic turn' within their agenda aimed at integrating management studies (including entrepreneurship) and history (Clark and Rowlinson 2004; Booth and Rowlinson 2006; Foster, Mills and Weatherbee 2014; Leblebici 2014; Usdiken and Kieser 2004). A main reason for this turn-to-history, Decker, Kipping and Wadhwani (2015) observe, is that history offers 'alternative approaches to the dominant science paradigm and its hypothesis-testing methodology' used predominantly by management scholars.

Since the 'historic turn' in management studies, the study of history has indeed become more common. Over 'the last five years [scholars] have witnessed a flourishing of discussions over historical approaches and contemporary business and management studies' (Smith, 2014). Nonetheless, many academics lament that the promise of potential integration between the two

fields has remained largely unfulfilled (Perchard et al. 2017; Maclean, Harvey and Clegg 2016, 2017; Decker, Kipping and Wadhwani 2015; Foster, Mills and Weatherbee 2014).

Perchard et al. (2017) discourse that one of the main obstacles to integrating history and archival work in management science is that the latter two are perceived as unsuitable research methods by management scholars, best illuminated by Strati's comment: 'not properly a method of empirical organizational research because data and information are collected, rather than being directly generated in the course of … research'. In their recent paper Rowlinson, Hassard and Decker (2014) highlight that the fundamental differences in terminology, used by scholars in the two fields, underline the epistemological conflict over what constitutes authoritative evidence:

> Each historian marshals as much evidence as possible to support an argument, hoping to bury opponents under a mountain of footnotes citing superior sources. But much of this is lost with author-date (Harvard) referencing and the discouragement of footnotes in management and organization studies journals.
>
> Michael Rowlinson and John Hassard, 2013: 116

Thus, historians' alleged a-methodological approach impedes their ability to publish in leading management journals. We had made a conscious attempt to disperse with footnotes but on relevant occasions we extend the use of this informational bottomline to give credence to our sources as the principles of good historical research demand.

Decker (2013) partly extenuates this lack of *pluralistic understanding* between the two interpretive traditions with the fact that 'historians are not explaining their methodology, and in fact [they] are missing a language and a format to do so that are compatible with the approach in social sciences'. Jones et al. (2012) chime that 'business historians have not made a habit of explicit hypothesis testing or the use of standardised social science method-ology', suggesting that they need to make methodologies explicit (Pechard et al. 2017). As a remedy, scholars recommend 'explicitly describing methodology, and limiting or dispensing with narrative when publishing in non-historical journals, to capture the 'dual integrity' and 'pluralistic understanding' (Perchard et al. 2017: 8). Still, due to the substantial variance in their research approaches, the two disciplines are effectually at an impasse.

The exceptional conceptual and empirical demands placed upon the shoulders of scholars, entangled by the wide variety of research methodologies within both research fields, have also

been identified as reasons for the unfulfilled promise for integration (Maclean et al. 2016). Research strategies in business and management studies demand plurality and inclusiveness: 'it makes no sense to try to find a unified ontological or epistemological foundation, let alone a unitary 'historical method' for organisational history' (Rawlinson, Hassard and Decker 2014: 268). Decker, Kipping and Wadhwani (2015) also emphasise that there is a need for a variety of methodological frameworks within business histor*ies*: 'We argue that it is neither possible nor desirable to choose a single methodological framework for business history, and that it is more appropriate to speak of and foster the development of a variety of reflective methodologies in business historical research' - a claim which resonates with Coleman (1987) and Glaisyer (2006). The three scholars further maintain, based on the Oxford Dictionary's definition of methodology that 'a method exists in the specific context of the purposes or ends for which it is designed'. Thus, it is unrealistic to expect business historians to adhere to a single, unified methodology as propouned by De Jong et al.:

> Acknowledging and embracing heterogeneity in historical methods is important not only because it represents the state of the field, but also because it has real research benefits for business history. A variety of methods are needed because business history researchers should be asking different kinds of questions and seeking different kinds of knowledge about the past. It also allows business historians to contribute to debates outside their own field and, potentially, to collaborate with scholars from other disciplines.
>
> Decker, Kipping and Wahdwani, 2015

Historical Organisation Studies in the Explication Mode

Within the dominance of the deductive research paradigm and following the current of the 21st century *rückgängiger Methodenstreit* (Ingham 2004: 9-10) Maclean, Harvey and Clegg (2016, 2017) in the attempt to integrate (business) history into management science propose an integrationist approach, *historical organization studies*, where:

> organizational research that draws extensively on historical data, methods and knowledge to promote *historically informed theoretical narratives* attentive to both disciplines.
>
> Maclean, Harvey and Clegg, 2016

Maclean et al. (2016) argue that 'historically informed theoretical narratives whose validity derives from both historical veracity and conceptual rigor, afford dual integrity that enhances scholarly legitimacy, enriching understanding of historical, contemporary and future-directed social realities'. They contend that historical organisation studies must adhere to five core principles - *dual integrity*, *pluralistic understanding*, *representational truth*, *context sensitivity* and *theoretical fluency* - in order to produce creative synthesis. Harvey (2014: 325) defines creative synthesis as 'an integration of group members' perspectives into a shared understanding that is unique to the collective'.

Maclean et al. (2016, 2017) argue that history fulfils a dual role in management studies, depending on the mode of inquiry in which history is used. It can, they argue, be used to evaluate and conceptualise theory on the one hand and it can be utilised in narrating and explicating on the other (see Figure 1). Thus, they demarcate four distinct modes of research.

Figure 1: The Four Pillars of Historical Research in Organisation Studies

MODE	Exposition	Interpretation
Social Scientific	**Evaluating** History used in testing and refining theory and arguments	**Explicating** History used in applying and developing theory to reveal the operation of transformative social processes
Narrative	**Conceptualizing** History used in generating new theoretical constructs	**Narrating** History used to explain the form and origins of significant contemporary phenomena

Source: Maclean, Harvey and Clegg, 2016: 57

Perchard et al. (2017) confer that the deductive use of historical evidence can be used to test theories, while the inductive deployment of history is used to build new concepts. In the latter mode, providing details of historical context and converging theory with history. Maclean et al. (2016) reveal that scholars can operate across the four modes simultaneously with their study on Andrew Carnegie as an institutional entrepreneur in the philanthropic field. The adopted approach in our exploration returns the study of (institutional) entrepreneurship back to its roots in history, which Schumpeter (1949) thought proper:

> Whether we define the entrepreneur as an 'innovator' or in any other way, there remains the task to see how the chosen definition works out in practice as applied to historical

> materials. In fact, it might be argued that the historical investigation holds logical priority and that our definitions of entrepreneur, entrepreneurial function, enterprise, and so on can only grow out of it *a posteriori*. Personally, I believe that there is an incessant give and take between historical and theoretical analysis and that, though for the investigation of individual questions it may be necessary to sail for a time on one tack only, yet on principle the two should never lose sight of each other. In consequence, we might formulate our task as an attempt to write a comprehensive history of entrepreneurship.

Following Schumpeter's thinking in his Theory of Economic Development (Wadhwani and Jones 2014), we adopt a non-static approach in our examination, which means we are comparing the activities of institutional actors across time and space in order to build our *historical organisational study*, adherent to the five principles set out by Maclean et al. (2016, 2017).

In this chapter, we predominantly apply the explicating mode of inquiry. History used in an explicating mode finds its value 'in *applying and developing theory to reveal the operation of transformative social processes*' (Maclean, Harvey and Clegg 2016). Such explorations result in the refinement of theoretical arguments and the development of new interpretations of past-to-present. The visionaries behind this research methodology comment that this mode of enquiry is social-scientific, featuring fluent narration and sometimes long-run comparisons across space and time, demonstrable with Piketty's (2014) classic work.

To supplement our methodology, we also engage with what Rowlinson et al. (2014) call 'corporate history': generally following a chronological structure and narrative. Decker et al. (2015) note that 'corporate history' may also use concepts such as the various business functions to organise the narrative. This specific approach in research fits our fundamental question – 'What is the role of particular entrepreneurs in the creation of the Bank?'. We con-textualise their activities in the socio-economic and political environment in the late 17th and sometimes the early 18th century (as recommended by Coleman and Glayisier). We draw on numerous sources, both primary and secondary, to substantiate the conclusions derived from our endeveour, adherent to the theoretical fluency and dual integrity principles. Given the largely subjective element inherent in the interpretation of historical evidence, in the following section we declare the sources used in the development of our narrative with the aim to enhance scholarly legitimacy (Maclean et al. 2016, 2017). This approach allows us to authen-ticate the

veracity of arguments and develop further the corporate history of one of the most important and longest-standing capitalist institutions in the world. Thus, our *historical organisation study* is built by applying logic and inductive reasoning, which is consistent with the evidence, acknowledging the interpretive weight placed upon it (Renier 1951).

Irrespective of the mode of inquiry, a primary aspect in historical organisation studies is *dual integrity* (Perchard et al. 2017). The three visionaries behind *historical organisation studies* argue that such narratives must pass 'the acid test of authenticity [by] theory development, making an explicit contribution to advancing generalizable knowledge within the field', while possessing 'historical veracity, the quality of ringing true that stems from faithfulness to available evidence, involving source analysis and evaluation to determine the quality of evidence and its interpretive value' (Maclean, Harvey and Clegg 2016).

To pass the high hurdle set for the dual integrity principle, and in a similar fashion to preceding scholars who have examined the entrepreneurial processes, we pay attention to the biographical accounts of the founding fathers of capitalism in England – the buccaneer William Paterson, the Chancellor of the Exchequer Charles Montagu, Prince Willem van Oranje, the Whig merchant and Bank of England's first deputy governor Michael Godfrey, but also the Houblon family (focusing on Sir John, Abraham and James Houblon) (Popp and Halt 2013; Wadhwani and Jones 2014).

The *lack of pluralistic understanding* however gives the 'impression of a false disparity between history and business and management over the use of sources' as stressed earlier (Rowlinson and Hassard 2013; Perchard et al. 2017; Maclean et al. 2016). In our view these are resolvable disparities, which once addressed, result in 'enhance[d] scholarly legitimacy, enriching understanding of historical, contemporary and future-directed social realities'. An inceptive attempt is made below but first the emerging fields of intertextuality and rhetorical history are explored, followed by a discussion on our archival work and methodology.

Rhetorical History and Intertextuality

History is valued highly by firms as barely any other resource has the same persuassion potency. Thus, the largest and wealthiest firms, in particular, are willing to devote a sizable amount of financial resources to attain the power over the past and thus their histories. Without extending the adequate funding to protect the corporate files, the commissioning firms will be

hapless to create and disseminate credible, academic-stamped narratives and positively sway their image in the eyes of the reading audiences.

Suddaby, Foster and Trank (2010) comment that 'rhetoric could only be successful when it create[s] a sense of oneness … between [the] speaker and [the] audience'. Smith and Simeone (2017) chime that '[t]he historical narratives used by the firm's managers need to be congruent with those prevailing in the historical culture of the wider society'. Thus, they argue that rhetorical history can be efficacious managerial tool and be used as a strategic tool to manage key stakeholders – 'firm history [is] a deliberate and strategic construction – an organisational resource designed to confer identity, motivate commitment and frame action amongst organisational stakeholders' (Suddaby, Foster and Trank 2010: 160). Foster et al. (2017) remark that '[t]he rhetorical function of a historical narrative is primarily the creation of identification with a given audience'. Foster et al. (2017) define two types of stakeholders – internal and external. With regard to the former category they identify agents who work closely with or within the organisation, while under the latter bracket fall external audiences such as clients, investors and state agencies.

Thus, it is fair to say that (corporate) rhetoric history is the 'strategic appropriation of the past' (Carroll 2002: 557) by internal (senior) actors with the aim to influence stakeholders' perceptions of the organisation (that they usually manage). This statement holds true of the largest organisational units - governments. Smith and Simeone (2017) note that the founding of archives and the subsequent dissementation of 'correct' history based on these was a primary activity of the British Empire. Particularly, for managing the public opinion of the local elite once a shift towards universal male suffrage has been completed – 'policy-makers became concerned that schoolchildren be taught the 'correct' historical narratives that promoted patriotism and respect for the existing political order. Policy-makers concluded that controlling the historical curriculum in primary schools was crucial to controlling their new masters, the electorate' (Smith and Simeone, 2017: 344). This statement throws little doubt over the constuctivists view of history that the historical narrative is the reconstruction of the past from the point of view of the conquerors (Appleby 1998). In our context, these are defined as the actors who positioned themselves atop the social pyramid in post-Revolution England, what later had become the engine of the sunsetless British Empire.

On the narrower firm level, the studies by Rowlinson and Hassard (1993), Ooi (2002), Holt (2006), Foster, Suddaby, Minkus, and Wiebe (2011) and Maclean, Harvey, Sillince and Golant

(2018) on Cadbury, Absolut Vodka, Jack Daniels, Tim Hortons and Proctor & Gamble, respectively, illuminate how firms engage in the management of their corporate narratives for the purpose of manipulating their perception by the public.

Rowlinson and Hassard (1993) discourse, implicitly drawing on intertextuality developed by Maclean, Harvey, Sillence and Golant (2018) at a later stage, that the Quarker company Cadbury successfully managed to switch founders against a solid and extensive backdrop of archival information 'because their strong religious beliefs *[of the new alleged fathers]* as well as their success in improving the profits of the company provided a much more consistent narrative of how religion and economics combined to create a [good] corporate culture' (Suddaby et al. 2010: 162). Another empirical study shows how a French aviation firm strategically discarded references to foreign parts and expertise in an attempt to reaffirm its position as a powerhouse of French industry (Anteby and Molnár 2012).

Drawing on rhetorical history's closely related field of intertextuality, Maclean et al. (2018) study explores not just the continuity, but also the change in messages released by senior managers at Proctor & Gamble to stakeholders. Their research reveals that recycled historical messages involve an interchange between multiple authors as texts are interpreted and altered in later re-narration. Their finding underlines the importance of situating companies and their practices within the wider socio-political context (Durepos 2015; Durepos and Mills 2012).

Similar to the practices adopted by the Hudson Bay Company which aimed at fostering patriotic sentiments amongst stakeholders with its corporate history (Smith and Simeone 2017), the Bank of England's corporate histories aim at sparkling patriotic sense in the wider community and to establish the City motor as 'a venerable British institution, distantly related to God', in the words of Coleman (1987). In short, the Bank's histories aim to enhance the connection between its stakeholders and the firm by emphasising its association with the nation-state and the crucial role in the supporting the British Empire by drawing on the patriotic public spirit. This strategy still reaps benefits for the now nationalised company as the general public continues to perceive its promises to pay as the most secure (King 2016).

These all but several examples of the elasticity in rhetorical historical discourse can offer when placed in potent hands. It can thus be summarised that the past, present and future of a firm, particularly of those which have endured throughout the centuries, can be connected through a well-versed historical narrative, which 'to be true, it [has] to be based on old documents kept in an archive' (Smith and Simione 2017: 339). The latter instrument presents top management

and strategists with a very ‘powerful [resource], conductive to manipulation and interpretive agency’ (Maclean et al. 2018; Foster et al. 2017).

Therefore, corporate histories may not be an all-encompassing narrative of real events and agents but a web of objective and subjective reality and under-reporting contradictory facts (Kieser 1994; Goldthorpe 1991). To the latter end, historians have long recognised, the business practice of ‘forgetting’ can provide assistance of first order (Maclean et al. 2018; Anteby and Molnar 2012; Casey and Olivera 2011). Foster et al. (2018) remark that ‘[a]n organisation’s silence about, or rendition of, a specific event could raise questions about the actors of the story, their roles and the causes of specific outcomes’. This is a notion in which we engage in later chapters as well but also discuss at a greater length in the next subsection.

Booth, Clark, Delahaye, Procter, and Rowlinson (2007) produced such an exemplar study on a German publishing outlet, which purportedly suffered under the Nazi regime, but managed to legitimise itself in front of the occupation forces with its staunch pro-Semetic stance. This corporate myth was formalised in a corporate account in 1986 and subsequently on the firm’s website, whilst reaffirmed in public speeches. Later, an independent study refuted this company legend (Suddaby et al. 2010). The research demonstrated that the company enjoyed relative success during the Nazi regime due to its willingness to publish anti-Semetic material and the story of surpression was made up shortly after the conclusion of the war with the aim to obtain a publishing license by the new masters in town. This case study lends support for the theory put forward by Maclean et al. (2017) that some firms leverage specific ideologies that resonate to the ideologies prevalent in the wider community in order to gain traction (Maclean, Harvey, Suddaby and O’Gorman 2018).

At the other end of the silencing scale is Swedish bank Handelsbanken, established in 1871. Nowadays the firm’s internal stakeholders reference exclusively its history after its centurian anniversary. This is best explained by the structural break of the 1970s - a decentralisation process of its operations. As a result, the previous 100 years of the company history were consigned to oblivion (Foster et al. 2017).

These three examples confirm the observation by Maclean et al. (2018) that ‘the past is not immutable but amenable to interpretive agency whereby managers subjectively reinter-pret or edit the company’s objective history to determine what should be remembered and what should be discarded to advance preferred outcomes’. In this line of thought, Nissley and Casey (2002) argue that corporate museums are the institutionalized memory of firms that provide (external)

audiences with a 'packaged past' (Ooi 2002). With the few examples exhibited above, we propose to extend their logic to the field of narrated corporate histories. Both instruments, the museums and commissioned histories, may serve as a formidable tool in strengthening the firm's product and the corporate brand in the eyes of stakeholders though these may not give a true, full picture of the historical record and thus their impact over societal organisation and functioning. This is the mallable power that a learned senior management can draw from its interactions with the historical record and massage the business image of the company under their administration with the aim to advance strategic goals and positively influence the firm's bottomline (which nowadays is usually linked to performance pay).

Archival Work

In parallel with Zald (1993), we contend that archival work forms the very basis for defining key questions and the establishment of a base of evidence. In his discussions on the theory of bureaucracy, Max Weber (1968) comments that '(t)he management of the modern office is based upon written documents (the 'files'), which are preserved in their original or draft form, and upon a staff of subaltern officials and scribes of all sorts'. In line Ventresca and Mohr (2002) purport that 'few official actions of any sort are conceived, enabled, or enacted without having been written down both in advance, in retrospect, and invariably several more times in between'. Smith (1984) notes that 'written texts play an especially significant role in organizations because they codify in a potent fashion, that which has been said and thought. Once it is written down, organizational talk takes on new dimensions of veracity, credibility, and efficacy—an authoritatively instrumental life of its own—often travelling well beyond the intent or expectations of the author'. Thus, we concur with Perchard et al. (2017) that archival work can contribute to management (and economics) studies, drawing on good archival research. A stellar example is Murphy's (2010) study on the Bank of England's tellers' business.

As a result of these business practices, corporate historians have grown as pragmatists and rely on empirical evidence exclusively. Renier (1951: 98) remarks that such an empirically-based approach is one of the few instances, where all strands of historical researchers unite (Carr 1990). Decker (2013) admits that methodological treatments of archival work are rare but still historians do disclose data and data collection. Generally, researchers engaged in corporate archival work face multiple challenges because many firms are 'often deeply disinterested in

their own history' (Decker 2013). This cannot be claimed for the Bank of England, which has commissioned numerous official corporate history accounts from writers and academics, as Coleman (1987) remarks. Decker (2013) adds that archival research is usually based on multiple archive sources in order to validate the veracity of findings, collect various view points and facilitate the filling of gaps in the historical record.

In our case, we rely exclusively on internal documents (i.e. subscription documents, minutes). As a result, we frequented the Bank of England Archive in attempt to collect primary, and where possible secondary data, once sampling has been conducted (see next paragraph). The archivist's team at the Bank facilitated all requests made by us as well as allowed virtually all required material to be digitized.[17] This permission has allowed for the careful examination of the sources offsite. The relevant archival material with the appropriate accreditation is exhibited in chapters 1 and 2 to substantiate our hypotheses building.

An important aspect in conducting our research at the Bank Archive was sampling. Carroll and Hannan (2000) identify four areas of concern which must be addressed when researchers conduct sampling. These are *organisational coverage* (referring to the inclusiveness of the sample of the organisation within the population), *temporal coverage* (the extent to which the observation period covers the critical times of research), *precision in timing* (referring to the specificity and completeness of data and their timing), and *accuracy of information* (defining it as the quality and completeness of detailed data such as ownership, strategy) (Ventresca and Mohr 2002).

In our study, we made use of one of the best banking archives, if not the richest, in the world – the Bank of England Archive. The 80,000 ledgers, files and individual records it holds relate to many aspects of its 320-year history, dating from its foundation in 1694 to the present. Thus, we can be confident that *organisational coverage* is satisfactory for our study.

By utilizing the Bank of England Archive's online catalogued database and specifying '1694' as the date for a match, we narrow our search to mere 147 matches. Despite the overall overabundance of material, there are only a few closely related files relevant for our research question - 'Who masterminded the creation of the Bank?' – which are reported below. The amount of material at our disposal, or what is labelled by Carroll and Hannan as *temporal coverage*, is not overabundant, but given the narrow initial focus of our quest, it may well be

[17] In a few instances, the record keepers at the Bank went beyond the expectations and pulled displayed museum relics, which were delivered for an inspection to the authors.

sufficient. Thus, we make intensive qualitative use of a small set of documents, in line with Ventresca and Mohr's (2002: 15) observations on archival research. Obliging to the recent calls for greater transparency in historical work, we clearly set out the archival documents upon which our *historically informed theoretical narrative* is constructed (Renier, 1950; Maclean et al. 2016, 2017; Perchard et al. 2017). This particular chapter primarily utilizes:

- the Bank of England's Court of Directors' Minutebook (1694-1695)
- the General Minutebook (1694)
- the original list of subscribers (1694)
- the Bank of England Stock Transfer Book (1694; AC28/ 1694-1695)
- Accounting services department archival records at the Bank
- Governor, Deputy Governor and Directors' Oaths (1694);
- The original general ledger (1694)
- List of Bank of England Governors and Deputy Governors
- A short account of the Bank of England (1695) by M. Godfrey
- and finally, a correspondence letter from Globe Insurance to the Bank of England (1855)

Smith and Simeone (2017) note that 'the fundamental rule of source validity is that those texts, objects, artifacts, and images that were produced during the time under study are the best primary sources'. Most of the documentation used in this work is primary evidence created at the time of the Bank of England's founding (i.e. satisfying the *precision in timing* criterion), thus giving high credibility and reliability to our sources. Due to the nature and specificity of the documents, we contend that no cross-referencing can be expected in relation to internal documents as there is no method through which external parties would have generated this firm-specific knowledge. In addition, members of staff, both at upper corporate as well lower corporate level, were required by the by-laws of the company to swear fidelity to the corporation and to 'keep its secrets' (Murphy, 2010). This further limits the potential sources for cross-referencing.

Running against the mainstream current of historical research, Renier (1951) contends such pure empiricism is a 'dangerous game'. In general, once corporate documents have served their contemporary functional purpose, they either make it to the archives or get removed. Therefore, William Becker notes archives serve as the memory of the organizations (Becker 2012). As discussed earlier, scholars recognise that organisations can exhibit selective memory by

removing specific documents at a later stage from the archives. This can be done either on the orders of succeeding senior managers, a practice for which the Bank of England is known, or through archival silencing by the firm's in-house archivists, as Decker comments, due to space/ resource restraints (Decker 2013; Suddaby, Foster and Trank 2010). Despite the inherent flaws in archival research, Ventresca and Mohr suggest that the 'examination of archival materials is … important because they are ubiquitous, consequential and strategically useful'. Trouillot's (1995) work builds a taxonomy of the art of silencing the past – fact creation, fact assembly, fact retrieval, and retrospective significance (*Nachgeschichte*). In this context, an important variable for researchers is to know the approximate moment when silencing had taken place as it can add to the historical analysis.[18] Even mainstream historians recognise that such archival silence possesses its own voice:

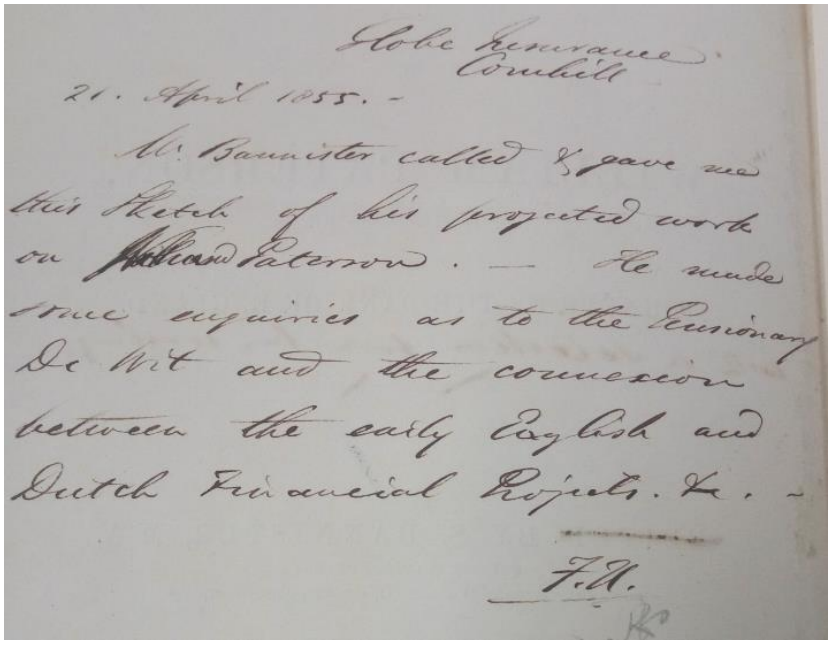
> documents do have an integrity of their own, they do indeed 'speak themselves'' and elsewhere that 'the past does speak through the sources, and is recoverable through them' because language and grammar are not arbitrary signifiers with no relationship to reality, as this would make any form of communication impossible. He cites EP Thompson: 'the historian has got to be listening all the time … If he listens, then the material itself will begin to speak through him.
>
> Richard Evans, 1999: 104-126 in Decker, 2013

The undervalued research perspective of 'archival voice' can thus address Strati's bemoaned lack of direct generation of management knowledge. One of the few studied documents in our study that possesses an *archival voice* is a note from Globe Insurance personnel. This message informed the Bank on the questions raised by Paterson's biographer, Saxe Banister, about the similarities between the Dutch and English banking projects. This internal document, not intended to be seen by the public, is more precious as it reveals 'insider knowledge' (in line with Decker's (2011) case study on CIA activities in the overthrow of the Ghanaian President Kwame Nkrumah). The credibility of the said document is high as it refers to a manuscript on the biography of the *alleged* founder of the Bank, as we shall establish later, that Banister provided to the said agent. The draft was forwarded along with the examined letter to the Bank. We have failed to locate the document in the Bank's vaults. Banister's original work appeared

[18] Though there are other pertinent examples about scientific amnesia in social sciences. For example, the complete disregard of the credit view of money in the post-war period, supplemented by a transition to the financial intermediation theory of banking and the neoclassical axiom of money neutrality, once the decolonisation process (of the British Empire) commenced and it was assisted by the recently establishment of supranational institutions.

in print only in 1858, leaving open the question to any changes between the enclosed manuscript in 1855 and the official narrative published in 1858.

Picture 6: A Note from Globe Insurance



Globe Insurance
Cornhill

21. April 1855. –

Mr Bannister called & gave me this Sketch of his projected work on William Paterson. — He made some enquiries as to the Pensionary De Wit and the connexion between the early English and Dutch Financial Projects. &c. –

F.H.

(Courtesy of the Bank of England Archive)

> 21 April 1855
>
> Mr Bannister called & gave me this Sketch of his projected work on … Paterson. He made some enquiries as to the Pensionary De Wit and the connexion between the early English and Dutch Financial Projects.
>
> F.H.

Probably in light of, or rather the oft lack of, such documents, Renier (1951) proffers that a trace gathering approach can produce a better macro picture of an event and the overall sense of history than dipping into pure empiricism. This unconventional approach for history research might craft 'an answer that could hardly be found in the theoretical knowledge-source relation which, in any case, begs the question instead of answering it' (Renier 1951). This is an avenue of which we make an exploit too.

Institutional Entrepreneurship Literature

We follow Battilana, Leca and Boxenbaum (2009: 67) definition of institutional entrepreneurs: 'change agents who initiate divergent changes, that is, changes that break the institutional status quo in a field of activity and thereby possibly contribute to transforming existing institutions or creating new ones'. Aldrich suggests that the generation of new business

models is the essence of entrepreneurship and agents who create new business models are institutional entrepreneurs (henceforth 'IE'). In our study, the visionary Paterson can be identified as such, according to the conventional narrative by business historians that have written on the Bank of England. Maguire, Hardy and Lawrence (2004) note that institutional entrepreneurship concerns 'the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones'. Colomy (1998) argues that IE can be expressed as the adoption of leadership roles by individuals or groups when new institutions are founded.

Di Maggio (1988:14) reasons that such roles are usually captured by actors who have sufficient resources and the new institution offers them an opportunity that 'they value highly'. Battilana, Leca and Boxenbaum (2009) augment his logic and identify two wide-ranging categories that enable IE to engage in successful implementation of their vision – the actor's *social position* and the *field characteristics*. However, they underline that the agent should participate actively and mobilise resources in the implementation of the change in order to be classified as such.

Institutional entrepreneurship usually excels at times of crisis, which provides opportunities for strategic action (Fligstein 1997; Greenwood, Suddaby and Hinings 2002). While previously it has been considered that such circumstances are entirely exogenous to actors, recent research indicates that peer actions can foster opportunities for actors, acting as IEs (Delbridge and Edwards 2008; Werner 2003). However, Battilana et al. (2009) argue that not all actors are equally pre-disposed to act as such. They argue that actors with a higher social status are more likely to engage in IE. Greenwood and Suddaby (2006) likewise stress the role played by elites as change agents in institutional adaptation.

Moreover, to achieve the institutional break and transmit the new vision, actors must 'craft a vision for divergent change in terms that appeal to the actors needed to implement it' (Battilana, Leca and Boxenbaum 2009: 79). This is also referred to as *diagnostic framing*. Then, actors can apply *prognostic framing*, which frames the new proposal as superior to the previous arrangements (e.g. governmental structure, economy composition, finance and banking sector restructuring). In other words, it aims at 'de-legitimating existing institutional arrangements and those supported by opponents' (ibid 2009: 80). The last dimension of institutional entrepreneurs' strategies revolves around the *motives behind the change*. This should provide reasons to support the new vision that is promulgated (ibid). Fligstein (1997) notes that in projects that fundamentally challenge the institutional framework, IEs can frame the proposed

vision as mutually beneficial and introduce themselves as intermediaries acting for the common good. Creed, Scully and Austin (2002: 475) refer to 'the embedded ways in which agents relate to and shape systems of meaning and mobilize collective action to change social arrangements'.

However, in order to implement structural changes of institutions, an IE must find allies and create lasting coalitions (Rao, Morrill and Zald, 2000). Thus, in order to achieve the set goal, namely divergent change, IEs refer to the use of discourse and usage of other resources. As to the former method, Zilber (2007) advocates that change agents can develop stories, link past events to form a plot and define heroes and villains (which can leave a legacy/bias to (history) researchers as noted by Butterfield (1931)). Such practices are implemented with the purpose to subvert the current institutional order.

However, IE literature has a major failing when it comes to recognising other resource mobilisation approaches. Only recently, Misangyi et al. (2008) and Battilana et al. (2009) argued that political resources, namely money, can play a key role in IE. This unfortunate stance in management studies can be extenuated by their extension of the neoclassical axiom of money neutrality, where 'money appears to enter and leave the economy 'magically'… while the mechanism by which this occurs remains undefined' (Lucas 1996 in Dianova 2018:16). Despite the prelevant dominance of this economics wisdom, management scholars recognise that such political resources can be exploited to convince other actors to 'endorse and support implementation of a vision for divergent change' (Battilana et al 2009: 83). They argue that financial assets can be used to bring other players into a coalition and encourage important stakeholders to favour a project (Demil and Bensedrine 2005). Greenwood et al. (2002) highlight that larger players are likely to be more successful as was the case with the oil price manipulations by J.D. Rockerfeller (Chernov 1998).

Demographic and psychological factors as well as informal networks are said to play a critical role (Battilana et al. 2009). Social capital and social networks were also identified as important determinants in successful institutional entrepreneurship. Social capital, in the form of informal networks, can be utilised by IEs to gain access to information and political support. Thus, a successful change agent can manage effectively diverse stakeholders as suggested by Maguire et al. (2004). Battilana et al. (2009), similar to Pamela Laird (2006), maintain that agents with a lower social status can employ high social status actors in order to endorse legitimacy of the project and therefore mobilise other actors behind the divergent institutional change. Despite the advance in IE theory in recent years, research remains limited concerning the methods that

entrepreneurs mobilise (such as the use of political resources) across contexts. Scholars in institutional entrepreneurship have thus called for more research to provide contextualisation (Fligstein 1997; Battilana et al. 2009). Our paper also responds to this call.

Key Institutional Entrepreneurs in the Founding of the Bank of England

Economic and business historians discussing the Bank of England's founding usually restrict their analysis to a small number of well-known figures associated with the launch of the Bank – in particular emphasising the role of Mr. William Paterson (Clapham 1944; Dickson 1967; Roseveare 1991; Kynaston 2017). Yet, the amount of detail reported concerning the background of this great Scotsman is not proportionate to the role he is purported to have played.

What is generally reported is that the buccaneer Paterson was the 'man with the idea' (Guiseppi 1966: ix). It is also not rarely suggested that he single-handedly engineered the creation of the institution. The narrative related in most histories of the Bank of England is that Mr Paterson received backing for the scheme by the Chancellor of the Exchequer Charles Montagu and the Whig entrepreneur Michael Godfrey who helped usher legislation through Parliament and gain support in the Corporation of London.[19] The following few extracts depict the oft-repeated mantra about the founding fathers of the Bank:

> William Paterson … was the originator of the new Bank; and it is perhaps unfortunate for his fame, that no biography exists of this remarkable person… the formation of the Bank of England was the subject of his desires and the subject of his thoughts for a long-time previous to its establishment.
>
> John Francis, 1847, p.44

> Among them [was] Paterson, who was credited with having devised the undertaking…
>
> Thorold Rogers, 1887

> Mr. William Paterson, a Scotchman from Dumfriesshire, whose antecedents were gravely suspected, and who was so notorious for his Darien scheme, which ruined half Scotland, but who had traveled widely, and studied foreign financial institutions,

[19] In the late 17th century, most trading persons and traders classified themselves as merchants. However, in modern day public eyes, these will be defined as entrepreneurs and businessmen.

proposed several schemes which proved abortive. At last, one succeeded. He proposed to raise and circulate £1,200,000 upon a fund of £100,000 a year.

John Townsend, Antoine Horn and Henry Dunning MacLeod, 1897

The projects during the reign of William III … are remarkable in that they all contain the proposal that the capital stock of the Bank should constitute a loan to the State. Thus, William Paterson in 1692, in conjunction with several other merchants, offered to advance a million to the Government in return for a yearly payment of £65,000.

Eugen von Phillippovich, 1911: 55

The plan for the bank [the Governor and Company of the Banke of England] was evidently drawn up by William Paterson and Michael Godfrey, both of whom became directors, in consultation with Treasury Commissioner Charles Montagu who from May 1694 was Chancellor of the Exchequer though there had been frequent plans for banks of one sort or another since the 1650s. Paterson himself had been trying to interest the Government in a scheme for a bank since 1691.

Peter Dickson, 1967

1691. William Paterson, a Scottish promoter and financier, first proposes the establishment of a national bank.

1693. Paterson, backed by a group of City business men, puts forward a scheme for a 'Bank of England' under which £1,200,000 is to be raised and lent to the Government at 8 per cent interest; the scheme is taken up by Charles Montagu (later Earl of Halifax), a Commissioner of the Treasury, who secures government support.

Richard Roberts and David Kynaston, 1994: 225

Paterson, a Scot, proposed to establish a Bank to provide funds for King William III to fight the French… His project was both straightforward and radical. £1,200,000 was to be raised by subscription and paid to the King via the Treasury.

Valerie Hamilton and Martin Parker, 2016: 14

William Paterson, a remarkable and resilient Scot is best described as a 'projector' – or in the words of one of his biographers… 'more skilful at promoting his plans than at executing his projects…'. In any case, whatever the motivation, it was Paterson, who

> had the persistence and the flair to put the idea of an English bank of credit – note issuing and able to lend to the state, unlike the Dutch model – firmly on the table… By 1694, and probably earlier, his two key allies were Charles Montagu, a difficult but hugely able Treasury minister who marshalled the political support, and Michael Godfrey, a substantial merchant who did much the same in the City of London.
>
> David Kynaston, 2017: 2

And last but not least, the Bank of England website states:

> There were calls for a national or public bank to mobilise the nation's resources, largely inspired by the Dutch example of the Amsterdam Wisselbank. Many schemes were proposed. The successful one, from Scottish entrepreneur William Paterson, invited the public to invest in a new project. The public subscriptions raised £1.2 million in a few weeks, which formed the initial capital stock of the Bank of England and was lent to Government in return for a Royal Charter. The Royal Charter was sealed on 27 July 1694, and the Bank started its role as the Government's banker and debt manager.
>
> Bank of England, 2017

There has been a close working relationship between some scholars commissioned to produce the official histories on the Bank of England. We thus take a critical new perspective on the background and constructed narrative concerning key institutional entrepreneurs of the Bank of England project. Their biographical accounts are examined in an attempt to contextualise and give some chronology to the role of Paterson, Godfrey, Montague, Willem van Oranje and the Houblons in the erection of the great Bank of England.

a) William Paterson

In line with the theoretically informed historical narrative approach proposed by Maclean et al. (2016, 2017), we first subject the role of William Paterson to closer scrutiny. This throws doubt on the well-honed narrative about his involvement in the founding of the Bank of England and yields support for the hypothesis that a multidimensional strategy had been put in place by as

yet unidentified IE prior to the launch of the Bank.[20] An attempt to fill in the knowledge vacuum is made below:

Firstly, prior to Paterson's activities in support of the Bank of England scheme and contrary to John Francis' claim, the Scotsman had been promoting a very different kind of venture for a longer period of time – the plan to colonise the Isthmus of Panama. In his efforts to raise money for that project he had travelled to Amsterdam in 1687 and to other Continental towns earlier in the decade. Once in the Low Countries, he became well-known 'in the coffee-houses of Amsterdam' at the time, promoting the Panama scheme and impressing with his oratory skills (Banister 1859: 42). In the event, he failed to raise money on multiple occasions and thus his plans soiled. The Scotsman returned from Amsterdam to England in the late 1680s, after the successful Dutch invasion and occupation of London in 1688. Upon his return he no longer talked about Panama. Instead he began promoting the establishment of the Bank of England. Since it was Amsterdam interests that funded the invasion of England and the Amsterdamsche Wisselbank had been operating successfully since 1609, augmenting its own set of privileges by issuing paper money, it is a permissible inference that the idea to establish the Bank of England originated in Amsterdam (as even the Bank of England itself claims in the quote above). Consequently, the possibility that it originated with, or in the very least influenced, by Amsterdam interests cannot be easily dismissed.[21] There is much evidence for such an interpretation of historical evidence.[22]

Secondly, Paterson always appeared as an outsider in the Court of Directors of the Bank of England, not only due to his different background as a Scotsman, but also due to the unusually low ranking in the list of founding shareholders: he is listed only on page 10 of the subscription

[20] Despite briefly mentioning this hypothesis, it remains beyond the scope of the present paper to provide detailed argumentation. This is a research avenue, which can be pursued in future scholarly works.

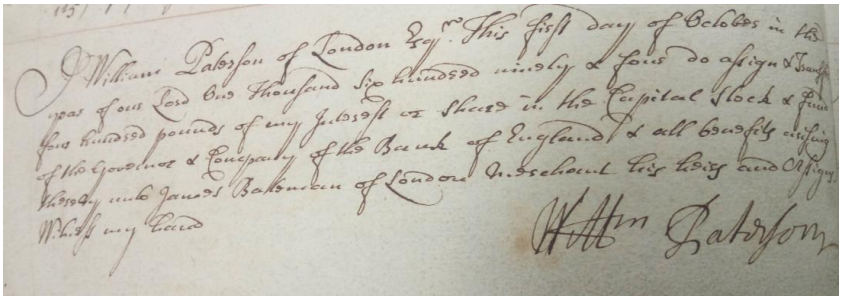
[21] Paterson proposed the Panama scheme to James II but received no attention, then he unsuccessfully tried to engage some of the great cities at the time, namely Hamburg, Berlin and Amsterdam. (Encyclopaedia Britannica, 9th and 10th editions); Jonathan Israel, The Anglo-Dutch Moment, 1991; Oscar Gelderblom & Joost Jonker, 'The Low Countries' in The Cambridge History of Capitalism: The Rise of Capitalism from Ancient Origins to 1848', ed. by Larry Neal and Jeffrey Williamson, 2014; Stephen Quinn & William Roberds, 2010

[22] See Neal and Williamson, 2014, in particular Chapter 11: The Low Countries by O. Gelderblom & J. Jonker and Chapter 12: The formation of states and transition to modern economies by Patrick O'Brien; Wouter Troost, 'William III: The Stadtholder-King' 2005; John Brewer, The Sinews of Power, 1988; Jonathan Israel, *The Anglo-Dutch Moment* 1991; *Diasporas Within a Diaspora: Jews, Crypto-Jews and the World of Maritime Empires (1540–1740)*, 2002; as well as a number of biographies of political exiles in Amsterdam who returned with Willem van Oranje to England or at a later stage were allowed a safe passage once the Dutchman had been installed on the English throne, for example Secretary of State Sir John Trenchard, President of the Royal Society John Locke, and last but not least Edward Clarke, an MP and a founding Bank of England director who had 'visited Locke in Holland in the summer of 1688, perhaps too sensitive a time to be entirely politically innocent', as Knights, 2002, puts it.

book towards the end of subscription process taking place on Fryday Afternoone, 22 June 1694. By this time approximately £115,000 or over 30 per cent out of initial 25% subscription money (equalised to £300,000) are raised. This is starkly contrasting with 19 of the 24 other directors who appear in the first 3 pages of the register and often they are grouped together.[23]

The Bank of England Stock Transfer Book shows that Paterson actually decreased his shareholdings by £400 on 1st October 1694, by selling them to James Bateman, another Bank of England director.[24] This was an unusually early sale of a stake in the newly founded private issuer of paper money. More surprisingly, by mid-March 1695 this presumed 'founder' of the Bank of England had completely disinvested, apparently after a row with other fellow directors (sold his shares to Brook Bridges and Glover).[25]

Picture 7: William Paterson selling shares to James Bateman



(Courtesy of the Bank of England Archive)

> 'I William Paterson of London, Esq this *first* Day of *October* in the year of our Lord *one thousand six hundred ninety and four*…'
>
> Bank of England Stock Transfer Book, 1694: 7

Thirdly, the corporate governance structure of the Bank proffers a minor role for Paterson. The first Court of Directors consisted of only two full-time directors, namely John Houblon, the governor, and Michael Godfrey, the deputy governor.[26] All other directors, a total of 24, held part-time positions. William Paterson also was only in part-time employment.[27] Moreover, on numerous occasions many Calvinist members of the Court of Directors were chosen over Paterson for key assignments such as treasury keeping and remittance committee.[28] Potentially

[23] Those are Abraham Houblon, Brook Bridges, Theodore Janssen, Sir William Scawen, Sir William Hedges, Sir John Houblon, James Bateman, Michael Godfrey, Obadiah Sedgwick, James Denew, Sir William Gore, Sir James Houblon, George Doddington, Thomas Scawen, John Lordell, Gilbert Heathcote, Thomas Goddard, Nathaniel Tench and John Smith. Bank of England Subscription Book, 1694

[24] The Bank of England Stock Transfer Book (p.7; AC28/ 1694-1695)

[25] Court of Directors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Reference Number: G4/1

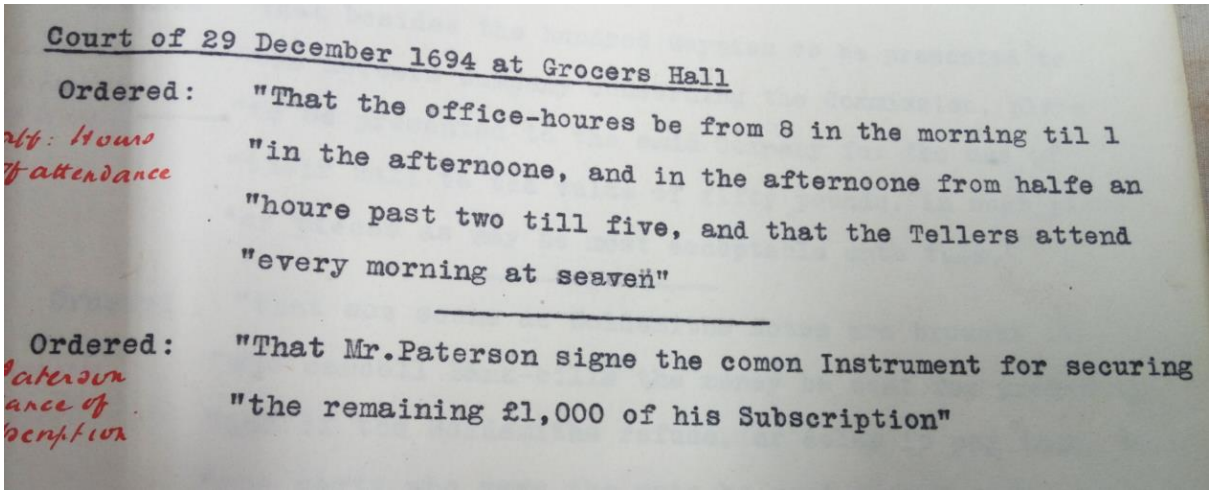
[26] Court of Directors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Reference Number: G4/1

[27] At least until fines were introduced for directors not attending the Bank (Murphy, 2010)

[28] Court of Directors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Reference Number: G4/1

the most important of such key assignments was the qualification to act as governor, should the need arise. Twenty out of the 24 directors were given this designation. The name of director Mr William Paterson was not to be found on this particular and surprisingly long list (Richards 1929 (1959): 151).

Fourthly, despite being hailed as the institutional entrepreneur behind the founding of the Bank of England, Paterson was excluded from directors' meetings only a few months after the start of the Bank of England's operations. The Bank launched on 27th July 1694, and its alleged founder had already left in March 1695 – a pity, as he had spent the years since 1691 lobbying for it (Banister, 1858; Court of Directors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Reference Number: G4/1: 164, 166 and 171). In addition, an entry in the Court Minute-book, dated 29th December 1694, shows that the other directors had to apply pressure on Paterson to pay in £1,000 in order to complete his subscription. This fact is rarely mentioned in historical accounts that emphasise his role (Guiseppi 1966; Clapham 1944; Dickson 1967; Kynaston 2017).


Court of 29 December 1694 at Grocers Hall

Ordered: "That the office-houres be from 8 in the morning til 1 "in the afternoone, and in the afternoone from halfe an "houre past two till five, and that the Tellers attend "every morning at seaven"

Ordered: "That Mr.Paterson signe the comon Instrument for securing "the remaining £1,000 of his Subscription"

Picture 8: Bank of England Court of Directors Pressure Paterson to Sell Shares

Fifthly, the reason for Paterson's departure was co-operation with known enemies of the Bank, resulting in a complete distrust by the other directors in his loyalty to the very bank that he had allegedly masterminded and founded.[29] It would seem Paterson fell out with the other directors over a disagreement concerning the use of the substantial profits created by the Bank and its lucrative business of lending money.[30] Paterson wanted to settle the Corporation of London

[29] Court of Directors: Minutes, 27 Jul 1694-20 Mar 1695, Bank of England Arch. Reference Number: G4/1: 164
[30] John Law, Money and Trade Considered: with a Proposal for Supplying the Nation with Money, 1705

debt to orphans in the City. But his fellow co-directors declined his proposition and insisted on utilising the profits otherwise, including paying out dividends to shareholders – including paying the first bankers' bonuses in the City to the Governor and his colleagues.[31] If Paterson was a hired hand employed to present a friendly face to the public of the Bank of England scheme, a reasonable inference is that he may have been motivated by a promise that Bank profits would be used for such charitable purposes or for his much-treasured Darien Scheme, which he envisaged as entrepreneur, should we follow one of Schumpeter's classical definitions of *Unternehmer*, both prior and after his Bank endeavour. But in the event, the directors at the Bank rejected such use of the profits. Paterson appears to have responded by communicating with *known enemies* in order to set up an Orphans' Fund.[32] This in turn resulted in him being asked to absent himself from meetings of the directors. He then sold the remainder of his shares – shareholdings being a precondition of being a Director.

The nature of Paterson's exit from the Bank suggests that he was effectively expelled and thus apparently not as politically resourceful at the Bank as others (Crouzet, 1991).[33] The bucaneer's lack of social capital amongst his supposed peers at the institution is palpable. This is an unusual position for the mastermind and leading figure of such a major venture should we compare him to other leading figures in similar ventures such as John Law and his Banque Royale only a couple of decades later. This makes it likely that other actors among the leading figures at the Bank envisaged the institutional break, which the new credit institution signifies.

The above factors show that Paterson had a lower social status in the hierarchy of institutional entrepreneurs, compared with leaders such as the Houblons and Godfrey (contrary to Battilana et al.) who have formed a long-lasting coalition (see next sub-sections).[34] This stimulates the hypothesis that causality of social status exploitation in order to legitimize an institutional break (the founding of the Bank of England) can be bi-directional – from high social status to lower social status actors in order to manage the public perception of the institutional break.

Meanwhile, two other central institutional entrepreneurs, John Houblon and Michael Godfrey's father (also Michael) had signed a petition in the 1670s, requesting the English government to increase trade with the United Provinces (Amsterdam), while decreasing trade with France (Priestley 1951). In other words, the Houblon and Godfrey families had previously been

[31] Court of Directors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Reference Number: G4/1,
[32] CoDirectors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Ref. Number:G4/1: 164
[33] CoDirectors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Ref. Number: G4/1:164, 166;
[34] Battilana, Leca and Boxenbaum, 2009;

engaged in various forms of lobbying for Amsterdam commercial interests and had formed a long-standing relationship, which can be seen as the basis of successful institutional entrepreneurship. Moreover, they had the social status quo and financial means to engage in such activity, unlike Paterson, who spent his early years as a buccaneer or a minister in the New World (Banister 1858; Battilana et al. 2009).

There is further, and separate, evidence from financial markets. When Paterson left the Bank of England this surprisingly early, how did the share price of this private enterprise fare? The Bank of England shares were traded on the emerging stock market in the Corporation of London. If the actual key founding father of the Bank had withdrawn from the project, share prices could be expected to react negatively. But it seems the stock market did not consider Paterson to be a key figure at the Bank of England: when Paterson left, share prices actually increased.[35] The reaction of the market can be treated as an indication that the actual institutional entrepreneurs envisaging and guiding the Bank stayed put at the heart of its operations at the time of Paterson's departure.

Table 1: Bank of England Stock Price

Date	Stock Price in £
22 February 1695	92
1 March 1695	89
8 March 1695	79
15 March 1695	95
22 March 1695	99
29 March 1695	92
5 April 1695	90

(Source: Thorold Rogers, 1887)

In contradiction to the narrative that Paterson was a long-standing visionary of private note-issuing banks that lent to governments, his role as colonialisation entrepreneur (trying to raise money for the Panama colonialisation in Amsterdam in the 1680s) seems to have remained the more important one for him. This is the activity he was known for before he arrived from Amsterdam in the City of London and this is the activity he returned to immediately after his departure from the Bank of England in March 1695: Paterson left for Scotland and resumed work on his original Panama plans (Banister 1858). In other words, the establishment of the

[35] Paterson sold his shares on the 19th March 1695 to Brook Bridges and Gabriel Glover (£1,000 each). Thorold Rogers, '*First nine years of the Bank of England; an enquiry into a weekly record of the price of bank stock from August 17, 1694, to September 17, 1703*', 1887;

Bank of England was but an interlude for Paterson, whose mind was demonstrably more preoccupied with the Panama plans. Thus, following Di Maggio's logic, it appears that in the eyes of Paterson, the Panama project was more valuable than the creation of banking firms.

This surprisingly ambivalent attitude of the alleged mastermind behind the establishment of the Bank of England William Paterson towards his purported brainchild - the creation of note-issuing private banks - is confirmed by his later lobbying activities in his native Scotland, where he engaged in active policy advocacy *against* the establishment of a similar scheme to his supposed hobby horse, the Bank of England. The high-profile Scottish economist John Law was proposing just this in Scotland (Hyde 1948). Paterson was against it. Perhaps this Scotsman was trying to prevent the establishment of a Scottish competitor to his Bank of England, with his mind set firmly on the interests of the English bank? This is hardly likely, since Scotland was at the time a sovereign nation not united with England. The Bank of England had no operations or jurisdiction in Scotland. Moreover, the reasons provided by Paterson for his negative attitude are revealing: he was concerned that an institution like this would introduce what could be called an unwelcome institutional 'structural break' in the country that would

'place too much power in the hands of a small group of officials'

Hyde, 1948: 55

This is a surprising argument from the alleged inventor and main proponent of the Bank of England and its paper credit system. It is on the other hand consistent with Paterson valuing the Panama scheme higher than establishing banking corporations (Roseveare 1991; Di Maggio 1988; Maguire, Hardy and Lawrence 2004).

Lastly, Paterson himself provides key witness testimony. Given the narrative surrounding his purported role, this projector who was trying to appeal to various types of investors in order to gather support for his Panama scheme could have been expected to take full credit for, and himself claim to be the inventor and founder of, the Bank of England. Yet, there is no such evidence. This is surprising, given his reputed role and his need to raise his own profile for his schemes. To the contrary, Paterson gives a distinct testimony concerning the figures behind the founding of the Bank of England. Referring to them, he speaks of

> '… the first framers and proposers of the Bank of England, who were only particular men, and not in public places and preferments…'

Banister, 1858: 100

The above pieces of evidence give credence to the alternative hypothesis that Paterson was not, in fact, the mastermind and decision-maker behind the establishment of the Bank of England. They support the hypothesis that he instead was but a hired and disposable agent with a temporary brief to support the approval and launch of the Bank.

Despite the above evidence in support of this alternative hypothesis, primary archival material should also be used as further empirical evidence to test both hypotheses. A useful primary source, the Court of Directors Minutebook, dated 1694-5, shows clearly that the Scotsman was not heavily involved in the decision-making process at the Bank of England, nor exerted significant influence over the management of the enterprise. Had he been the key figure that he is made out to be by the official business histories of the Bank of England, this surely would have been reflected in the records of the board meetings of the Bank. Yet, perusal of the minutebook in the months Mr Paterson was 'at the Court' reveals that his involvement is limited to only a few entries, most of which relate to his resignation. Whether Paterson started to see the drawbacks of creating such a powerful institution or for other reasons, he engaged in support of active opponents of the Bank of England and the creation of a more socially orientated alternative.[36] This prompted more powerful directors than him to engineer his dismissal. He also failed to establish such a socially oriented alternative, which serves to show again that Paterson lacked substantial resources (social, financial and political capital as expected for IE). Thus, from an institutional entrepreneurship perspective, Mr Paterson does not qualify as an IE concerning the founding of the Bank of England, while other IE actors stood behind the 1694 project. This hypothesis is further strengthened by the failure of his earlier attempts to mobilise financial resources for the Darien Scheme in both England and on the Continent. Either way, these facts, in line with IE theory, make logical sense only if Paterson was not the true founding father of the Bank of England, but instead a hired agent with a narrowly defined task (Battilana, Leca and Boxenbaum 2009; Fligstein 1997; Di Maggio 1988).

As discussed above, the record of the actions of the historians and keepers of the records themselves can be revealing and help to establish the objective historical facts (Decker, 2013). A search of the Bank of England archive yielded a small but significant further piece of information relating to the historian Banister. The document is probably an internal memorandum signed by a certain Mr. F. Hendrick to the Bank of England. The letter reads:

[36] Court of Directors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Reference Number: G4/1,

> ‘Mr. Banister called & gave me this sketch of his [Banister’s] projected work on [William] Paterson. He made some enquiries as to the Pensionary De Wit and the connexion between the early English and Dutch Financial Projects.’
>
> F.H., 21st April 1855

Probably, Paterson’s biographer, Saxe Banister, saw an opportunity, as illuminated by his citation of the previously quoted lament by John Frances that no official biography existed of this great Scot. As it appears, in the process of research he likely found similarities between the early Dutch and English financial projects (i.e. the Amsterdam Bank and the Bank of England), which are also a subject of discussion later in this work.

In conclusion, having examined more closely Paterson’s account, it can be evinced with a good degree of confidence that Paterson was a hired lobbyist whose heart was in other projects and whose temporary role was to provide one facet of a multi-dimensional initiative by the true institutional entrepreneurs behind the founding of the Bank of England scheme. This would explain why there was no further role for him, once the firm had been established.

Paterson’s role in the founding of the Bank was materially variant from that generally purported by corporate (and as a result economic) historians. Academics have tended to favour the Whig perspective of events and at the same time miss key facts, which display the inconsistencies within the constructed ‘law-like’ hypothesis of the firm’s establishment (Raff 2013; Butterfield 1931; Coleman 1987; Clapham 1944; Acres 1944; Guiseppi 1966). The conventional narrative is skewed as the true, original institutional entrepreneurs applied strategies in order to manage the public perception of the venture since its very founding. This strategy included engaging particular individuals (i.e. William Paterson) to lead the public relations campaign.

We find, contrary to the conventional current, that Paterson was likely employed as marketing agent in 1694 in order to manage the overall public perception of the proposed enterprise, including lobbying of Parliament, with the intent to ensure the general approval of this unusual large-scale start-up company, distancing it, at the same time, from being Dutch as lamented earlier in the century. The official Bank of England historian, Clapham (1944), would have probably agreed with our conclusion as, unusually for an author of a commissioned Bank history, in the preface of his Bank of England book, without much argument, he states laconically that Paterson is ‘overrated’.

This then raises the question of who were the true promoters and beneficiaries of the scheme. Therefore, an investigation into other key institutional entrepreneurs recorded by corporate historians as potential founders of the institution needs to be conducted in order to address this important question.

b) Charles Montagu

Charles Montagu, the Chancellor of the Exchequer, is also often presented by Bank of England historians as one of the main promoters of the scheme (Clapham 1944; Guiseppi 1966). To this date, the Bank of England's website (The Bank of England: History and Functions) claims he was one of the persons behind the establishment of the money issuing firm:

> 'Its passage through Parliament owed much to the efforts of Charles Montagu (afterwards Earl of Halifax), one of the Commissioners of the Treasury'
>
> Bank of England Archive (G15/634): 6

On occasion, he is even presented as the man who created the Bank of England and the national debt, and, thanks to it, reversed the fortunes of what until then had allegedly been a largely rural and underdeveloped England (opposite to Wallis, Colson and Chilosi 2018).[37] This public official is indeed listed as an initial subscriber to the Bank of England stock.

However, the historian Mark Knights takes a different view and informs us that:

> 'There is a significant lack of [hard] evidence to associate him with the project for which he is most remembered, the creation of the Bank of England… Certainly the Bank was not his brainchild.'
>
> Mark Knights, 2002

This suggests that his efforts of lobbying MPs and his overall involvement in the founding of the Bank of England may also be the result of an elaborate strategy by institutional entrepreneurs. No doubt, the true promoters of the Bank of England scheme would in their efforts target specifically the Chancellor of the Exchequer as one of the key figures that had to be lobbied, and, ideally, engaged as a lobbyist himself, since the purpose of the Bank was to lend money at interest to the state, i.e. the Exchequer, and get the latter to levy taxes on the

[37] Dickson, 1967;

population to pay for henceforth servicing this debt. Montagu's support for the proposal to establish the Bank of England undoubtedly influenced the public perception of this enterprise at the time that is consistent with the theory put forward by Knights (2002).

It is noticeable that his reference number in the official list of initial shareholders is 43. This was, however, a higher rank than that of the King, whose reference number is 44, and to whom we shall now turn.

c) William of Orange

Willem van Oranje (since 1689 styled King William III) played an instrumental role in the rebalancing of the institutional equilibrium in order to establish the joint-stock company. Firstly, he contributed significantly to the Bank's establishment in 1694 as he put pressure on Privy Council discussing the proposal to grant a Royal Charter. He managed to apply this early form of policy facilitation in favour of the policy seeker through his wife who intervened with the council in order to receive approval for the scheme. These lobbying activities at the highest political level contradict the theories put forward by some scholars that the Bank was a result of exogenous circumstances or that it was established by 'chance'. Having ensured that the Bank proposal was pushed through state administrative bodies, the King appeared as the first subscriber to the enterprise with the maximum amount allowed (£10,000 per subscriber, equivalent to £1.25m current money (Bank of England 2017)), although listed with reference number 44. His subordinates subscribed to shares on his behalf.

The engagement of the royal persona in the erection of the new institution also helped boost the public's trust in the new promissory notes that the Bank started printing and issuing upon its launch.[38] A similar approach was adopted when US President Woodrow Wilson was won to lobby for the establishment of the privately-owned Federal Reserve Banks in the US in 1913, or when the newly-elected Turkish president of the newly created Turkish republic Kemal Ataturk launched IS Bank at an economic conference in Izmir, Turkey, in the 1920s as a privately-owned institution, to name but two other examples.[39]

[38] Nevertheless, soon contractors and suppliers to the government who were paid with the £100 notes issued by the BoE found themselves unable to convert those in hard metallic currency. Instead, upon presentation, the issuer would give them new promissory notes, redeeming the old ones.
[39] See James Forder '"Independence" and the founding of the Federal Reserve', *Scottish Journal of Political Economy* 50 (2003) for an analysis surrounding the establishment of the Federal Reserve System.

Following Andrews and Burke's (2013) logic and Piketty's methodology for comparisons across space and time, we adopt a wider historical view of Willem's activities. Some of the facts surrounding the Dutchman at the time might possibly be interpreted to the effect that he himself was actually the visionary behind the erection of the Bank, because he stayed behind the scene and was a major beneficiary of the money provided by the erection of the Bank. But we find that by 1697 the Royal had completely divested from the enterprise.[40] This suggests that the King himself was also utilised as a public relations tool, similar to Paterson. Namely, he was exploited to enhance the Bank's legitimacy and manage proficiently any institutional obstacles of the kind that had bent the earlier bank proposals, particularly in 1691 and 1692, or even at an earlier stage as noted by von Philippovich. This interpretation of the role of William III in the establishment of the Bank of England was also shared by Viscount Bolingbroke (1749). He wrote:

> When King William entered, immediately after the revolution on this great scene of action; the unencumbered condition of this nation … was such that he might have been supported in it… by a land-tax, by the excise on malt, and by some additional subsidies, all of which would have been raised within the year. A scheme of this kind was prepared and offered … but it was rejected for a reason that appeared plausible in political refinement, and has proved most pernicious in its consequences. It was said that a new government, established against the ancient principles and actual engagements of many, could not be so effectually secured any way, as it would be if the private fortunes of great numbers were made to depend on the preservation of it; and that this could not be done unless they were induced to lend their money to the public, and to accept securities under the present establishment. Thus, the method of funding and the trade of stock-jobbing began. Thus, were great companies created, the pretended servants, but in many respects the real masters of every administration.

In this short paragraph Bolingbroke sets out the three-dimensional framing tool [prognostic, diagnostic and motivational framing] that has been utilized by institutional entrepreneurs in order to manage the institutional settings and convince other actors (such as the general public or the political opposition) that the new order should be superior to the old arrangements.

[40] Dickson, 1967; Accountant's Department: Stock Book Transfers, 1694 – 1701, AC28

d) Michael Godfrey

Francis (1847) and Clapham (1944) list the first deputy governor of the Bank of England, Michael Godfrey, as the second most influential person after Paterson in the lobbying and management of institutional settings (mainly shaping and modifying woes in the ideologically opposing political camp of the Tories), and designing the public perception of the Bank.[41]

Godfrey was indeed a prominent financier and merchant in the Corporation of London. His family had long-standing ties with Whiggism. His father and uncle, along with Sir John Houblon, the first BoE governor, and Sir Patience Ward, signed the 1674 Scheme of Trade. It is clear that this financier played a much greater role compared to Paterson when lobbying with the Corporation of London.[42] He was also a part of the committee which established the by-laws of the Bank of England.[43] For his active role in the promotion of the scheme, he was elected deputy-governor, and, as mentioned, was one of only two full-time staff.

Murphy (2010) shows that junior servants were required to take an oath annually in front of the Court of Directors 'to act diligently and keep the Bank's secrets'. This was an oath that had to be kept. Punishment for breaking it was severe. Like Paterson, Godfrey also seems to have run into disagreements with yet more powerful fellow directors at the Bank: apparently not deterred by the Scotsman's example and his untimely departure only short few months after launch in 1694, Godfrey also breached confidentiality and acted in a way that was interpreted as disloyalty to the Bank, by publishing a pamphlet on the business matters of the Bank in early 1695. Despite being probably one of the engineers behind this principle Godfrey also did not adhere closely to the principle of 'secrecy' in his pamphlet.[44] Therein, the Whig financier made a number of disclosures that can be inferred were frowned upon by the otherwise secretive Court of Directors. For instance, Godfrey disclosed that goldsmith bankers would be dissatisfied parties after the establishment of the Bank of England (in fact, none of them became subscriber to Bank stock). Perhaps more damaging to the Bank's carefully honed image, he disclosed that of the much-trumpeted capital amount subscribed (£1,200,000), which was supposed to have been lent to the government, even according to the Bank of England's

[41] Dickson, 1967; Battilana, Leca and Boxenbaum 2009
[42] Sir Patience Ward also subscribed substantial amount of money during the IPO. His nephew, John Ward, was also elected on the original Court of Directors of the Bank (Bank of England: Original Subscriptions to capital, 1694 (copy), Bank of England Archive Reference Number, 10A20/1); PGM Dickson, 1967
[43] Draft of the First By-Laws, 1694
[44] Anne Murphy (2010: 159)

contemporary description on its website, only 60% had in actual fact been paid up by the shareholders.

It can easily be imagined why this disclosure must have been a matter of grave concern to the powers-that-be at the Bank of England: the 'founding legend' and source of legitimacy of the privately-owned Bank of England was the following claim, which has been re-iterated throughout the centuries and features today on the Bank of England website:

> Many schemes were proposed. The successful one, from Scottish entrepreneur William Paterson, invited the public to invest in a new project. The public subscriptions raised £1.2 million in a few weeks, which formed the initial capital stock of the Bank of England and was lent to Government in return for a Royal Charter. The Royal Charter was sealed on 27 July 1694, and the Bank started its role as the Government's banker and debt manager.
>
> Bank of England, 2017

The founding legend is not only that the scheme came from the Scottish entrepreneur William Paterson (as we have already shown to be untrue), but also that purportedly £1.2 million were raised in investments from the public as initial capital stock and, importantly, that these funds were immediately lent to the government in return for the Royal Charter, i.e. in exchange for the authorisation of incorporation of the Bank. Furthermore, it is claimed that an initial public offering had been made and the general public had been 'invited' to invest.

For our purposes two aspects of this surprising revelation are relevant: Firstly, was Godfrey's disclosure correct? New archival research, which we report in chapter 2, has demonstrated his figures to be correct – about 60% of subscription money were raised. This is a relevant discovery for the study of nonmarket strategies and political exchanges. This revelation indicates that becoming a subscriber to Bank stock may have been more of a privilege than an investment decision, whereby the investor received more value than money was provided. Secondly, how could the Bank of England then provide £1.2m to the government, giving the incorrect impression that this sum had been raised from the general public in full? For the Bank did still manage to provide the full loan amount to the government (Godfrey, 1695:6). The answer to this question has also recently been settled empirically: When a bank extends a loan or purchases securities (such as government bonds), it creates the funds *ex nihilo* and does not lend out its capital or deposits (Werner, 2014a, 2014b). This fact has been known since at least

Henry Dunning Macleod's seminal work on banking in 1855/6, although generations of 20th century economists and their students seem to have been unaware of these facts.

Thus, in effect Godfrey had spilled the beans when he revealed already in 1695, only one year after the founding of the Bank of England, that this privately-owned and profit-oriented enterprise was simply creating money *ex nihilo* as the loan was provided in paper, not coin (a fact also noted by the contemporaries Luttrell and Law).[45]

Since the true framers of the Bank of England project were more secretive than transparent and had always been careful to downplay the money creation abilities of the Bank of England (e.g. the omittance of paper money when passing the Bank of England Act in 1694), such revelations do not appear consistent with the Bank's cautious public disclosure policies (as illuminated by Murphy's study on the lower corporate body). Unlike with Paterson, however, the directors did not have to dismiss Godfrey for his disloyalty: due to an unfortunate development of circumstances his life was cut short unexpectedly already in the very same year of 1695, not long after publication of his pamphlet. This happened upon a visit to the trenches of Namur, which Willem van Oranje (styled William III after 1689) had besieged. Before the eyes of the Dutch Stadtholder Willem van Oranje a cannon ball struck and killed Godfrey instantly.

> …Mr. Godfrey left his peaceful avocations to visit Namur, then vigorously besieged by the English monarch. The Deputy Governor, willing to flatter the King, anxious to forward his mission, or possibly imagining the vicinity of the sovereign to be the safest place he could choose, ventured in the trenches… A cannon-ball at this moment answered the "reasonable claim to preservation" by killing Mr. Godfrey with several officers near the King, and it requires no great stretch of imagination to fancy a saturnine smile passing over the countenance of the Monarch…
>
> John Francis, 1847: 72

e) The Houblons

Particular prominent Whig merchants and later key members of the Court of Directors at the Bank had been promoting the establishment of a public bank since the 1670s. With the release of the register of original shareholders, it was revealed that the Houblon family was the dynasty with by far the largest shareholding in the Bank of England (authors' own calculations). This is compounded when one takes intermarriages among the shareholders into consideration (e.g. Du Quesne (Du Cane)) (ibid). Among subscribers were members of the direct Houblon family,

[45] Lutrell 1695; Law, 1705; Roseveare, 1991

who immediately attained prominent position in the new institution (Crouzet 1991). Indeed, Sir John Houblon, Alderman of the Corporation of London, subscribed to £10,000 worth of shares – the maximum permitted amount per person – while his brother Abraham Houblon also subscribed to £10,000, equivalent to £1,250,000 current money (Bank of England 2017). Another brother, Sir James Houblon, subscribed to £4,000 and John Houblon, Junior to £1,200. Wynne Houblon bought £500. Sir John, Abraham and Sir James all became directors of the Bank of England, although only Sir John, considered the head of the family, became Governor and thus obtained full-time employment (Houblon, 1907). Nevertheless, Abraham also played an instrumental role within the Bank – he was chosen as one of the first directors who were to run the Bank on a daily basis along with other Calvinist directors (e.g. Janssen, Lethuillier), and it did not take very long for him to also become a Governor of the Bank.[46]

An analysis of the original subscribers list shows that 75% of capital was held by 31% of shareholders at launch (Dickson 1967). Thus, the distribution of benefits (i.e. dividends) was uneven among shareholders, as the majority of shares were concentrated in the hands of a few. A small number of families held dominant stakes and exerted power over the institution as best demonstrated by the augmented influence of the Houblon family, who in reality acquired additional shares once the investment ceiling of £10,000 was lifted. The sound investment made by the Houblons' is an open question and exciting avenue for future research. For example, one of the original directors of the bank – Gilbert Heathcote, one of the ancestors to the current Royal family, who had held far fewer shares compared to the Houblons, reportedly netted in excess of £60,000 from his investment in the joint-stock corporation only in the first few years of its operations (Gauci 2002). However, the concentration of Bank shares in the hands of this small Calvinist clique also throws doubt on the well-honed narrative that the institution was erected for the benefit of the public, or by Paterson, who did not enjoy any such handsome return on his investment.

The overall behavior of the Houblon dynasty and the community of Calvinist merchants demonstrates the large interest and influence they held in the institution (opposite to Crouzet 1991). Some historians report that during the 1697 Bank of England elections two-thirds of the directors stood in the Houblon camp (Gauci 2002b). Therefore, it is not surprising that Crouzet described these Calvinist entrepreneurs as 'merchant princes' (Crouzet 1991). Further, the French Calvinist community played a critical role in the guidance and management of the Bank

[46] Court of Directors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Reference Number: G4/1

in its early years. Many of the first directors at the Bank were under the influence of the Houblons - some through trading relations, others were married to women from the family or close allies. At least four (Sir John Houblon, Nathaniel Tench, Abraham Houblon and James Bateman) of the first eight governors of the Bank came from this small religious minority. The skewness of top-level governance towards the miniscule minority of French Calvinists is surprising, given that only 10% of the total investment was delivered by them.

The Court of Directors Minutebook also reflects such skewness. For example, initial banking operations were run by Calvinists, namely governor Sir John Houblon, Abraham Houblon, Christopher Lethuilliuer, James Bateman and Theodore Janssen, all of whom were associated with the French Church at Threadneedle Street.[47] It can be safely stated that actually this small but powerful minority community; in line with IE theory envisaged, designed and operated the Bank of England in its early years.

Thus, religious convictions may have played an instrumental role in the early days of the Bank activities, reconfirming the suggestion by early economic historians about interdependencies between different social aspects in explaining economic change, in this particular instance between religion and banking (Coleman 1987; Glaisyer 2006). The bank ledger also featured a reference to God and that the Bank was working in the name of the God in London (Laus Deo in London). This notion is further strengthened by the oaths the directors, the deputy governor and governor took, which all finished with 'So help me God'. All staff members were required to swear in fidelity to the Bank on an annual basis (Murphy 2010).

This is an important finding, as the Bank is considered the primary model for the construction of the current monetary system in most countries and therefore this interplay deserves closer scrutinisation, beyond the scope of this chapter, which may eventually provide explanations about certain anomalies which were embedded within the present institutional order designed by the early modern capitalist undertakers. For the moment it suffices to state that the Houblons and associates were all regulars at a particular Calvinist Church inside the City of London, which was known for its anti-Stuart attitude.

> At Threadneedle Street Church in London, a new minister, Louis Herault, who arrived from France in 1643 and was an enthusiastic royalist, was soon obliged to leave under pressure from the congregation. He was replaced by Jean de la Marche, from Guernsey,

[47] Court of Directors: Minutes, 27 Jul 1694 - 20 Mar 1695, Bank of England Archive Reference Number: G4/1:5

> whose sermons inveighed against all things royalist and who was among the very first (as early as November 1645) to call for the execution of the king. It is highly significant that the most ardent supporters of de la Marche and of another extremist, Ellie Delme …, included Jacques (James) Houblon (the father of the directors) and members of the Delillers and Duquesne families – though most great City merchants at the time were hostile to radicalism.
>
> Francois Crouzet, 1991: 236

Unlike Paterson and William of Orange, the Houblon dynasty did not divest from the Bank of England after the start of operations, demonstrating high social status of this community of institutional entrepreneurs. While others sold out, the Houblons increased their shareholdings significantly, raising their investment to the new maximum permitted amount of £20,000, as soon as the ceiling had been raised to this figure from the original £10,000 (Dickson 1967). Deploying Di Maggio's logic, this action shows that in the eyes of this French Calvinist community the institution was more valuable than the other alleged founding fathers of this enterprise perceived, who quickly sold their shares (such as Paterson or Willem van Oranje) (Di Maggio 1988).

The little known and only recently disclosed facts of the Houblon shareholdings make it even more likely that the engagement by Paterson and Montagu as promoters of the Bank were part of a public relations and marketing strategy as mediators to the public and governmental institutions. Moreover, in line with IE literature, the Houblon family had by far the most substantial means to afford the higher 'transaction costs' to carry out such an elaborate strategy and to exert most influence over high-ranking public figures (even the King) than the different alleged founders of the Bank presented in later narratives.

Another important primary archival source, which lends support for our hypothesis that the Houblons are the visionaries behind the creation of the Bank of England, is the General Ledger. A careful study of this archival item shows that the newly-founded institution under John Houblon's governorship engaged in correspondent banking with the Houblon Bank of Oporto, Portugal. This finding demonstrates that the family, though third generation refugees, possessed the intimate knowledge of bank management that was a precondition for any mastermind behind the founding of the Bank of England. Probably due to this reason their choice as leaders of the Bank of England project was anything but coincidental, which can also provide an explanation for the lack of voting record at the first elections.

Conclusion & Closing Remarks

Overall, this chapter makes an important contribution to the business history field as it reveals 'the value of retaining critical distance and independence between a company, its archives and the author(s) of its history' which otherwise could result in speculation in relation to the agreements made between corporate historians and commissioning companies (Pearson 2016; King 2018), whilst in the process it produces meaningful, in-demand management knowledge.

As demonstrated, by relying on archival work, creative synthesis and adherent to the five core research principles, set out by Mairi Maclean, Charles Harvey and Stewart Clegg (2016, 2017), academics in (institutional) entrepreneurship can juxtapose empirical evidence and narratives, constructed by earlier (commissioned) scholars, where by applying inductive reasoning and logic, a *historically informed theoretical narrative* in the narrating mode can be formulated, which has a 'ring[ing] true' to it (Geertz in Maclean, Harvey and Clegg, 2016). Maclean et al.'s (2016) four-mode framework is resonating of the Schumpeter's plea to integrate theorising with empiricism (i.e. history), where 'the two should never lose sight of each other', when probing the entrepreneurial process (Schumpeter 1949; Lazonick 1991; Perchard et al. 2017; Wadhwani and Jones 2014). This is the adopted approach in this institutional entrepreneurship case study and the erection of a key capitalist institution, which fundamentally shifted the institutional equilibrium, whilst creating a new, top social class in the process.

Once Piketto-Schumpeterian long-run comparison between institutional entrepreneurs across space and time is implemented, major contradictions were identified between the historical evidence, entrepreneurs' narrative accounts and their role in the creation of the Bank presented by commissioned academics. Taking into account the context in which the institution was erected (though the Dutch invasion of England falls outside the scope of this chapter), and the roles played by the various entrepreneurs, we find that the high-powered narrative that the buccaneer Scotsman was 'the man with the idea' crumbles.

Several attempts earlier in the century to establish a private, note-issuing bank without the Scotsman's participation had indeed been frustrated. A time of crisis, as institutional entrepreneurship literature informs, provides for good opportunity to change agents to engage in strategic actions (Fligstein 1997). This prerequisite state of affairs occurred with the dramatic change in field characteristics after 1688. Then, the new king, Willem van Oranje, engaged in the most expensive military conflict known to mankind, which resulted in deficiency of funds

in the national coffers. This dire Treasury stance enabled Whig entrepreneurs to once again offer their promulgated solution – to found a bank. Their third final and successful proposal, with Mr Paterson as mouthpiece of this group of City entrepreneurs, was granted, after two failed attempts earlier, allowing the group to pursue the erection of what was to become the most important credit institution in the country and beyond, even to the present day.[48]

The contemporary opponents of the scheme would have criticised the hitherto unknown large concentration of power in the hands of a small group of economic agents, had they been aware of the facts. This is likely the very reason why the institutional entrepreneurs behind the Bank opted for an elaborate and patient strategy involving a number of intermediaries, agents and front-men of varying rank in the social ladder but reaching to government and head of state level. It is this public masquerade that has remained the mainstay of (commissioned) historians. In fact, our primary (i.e dipping into empiricism) and secondary (i.e trace-gathering) research demonstrates that the small but powerful French Protestant community (colloquially known as Huguenots) led by Sir John Houblon, the first Bank of England Governor, and his family envisaged, designed and operated the newly-established corporation in its early years (in line with Maclean, Harvey and Kling 2014).

This religious community, which valued the corporation highly, captured the leading roles at the new institution in line with institutional entrepreneurship theory (Battilana et al., 2009; Di Maggio 1988) and Schumpeter's (1949) classical entrepreneur definition. Yet, it can safely be stated, that we find support for Max Weber's (1905) hypothesis about the Protestant origins of capitalism. On the other hand, the oblique exercise of power by this pious cabal invites for additional research about the link between the monetary system and religious convictions as they seem interwoven.

Another novel contribution of this paper is that it demonstrates that change agents can afford to spend decades, even intergeneration, lobbying for and in the pursuit of a narrowly defined task as illuminated by the Houblon and Godfrey clans. It has been demonstrated that these change actors had the means and motivation to attract and exploit actors with lesser financial, political and social resources but sufficient reputation and sophistication (Paterson, Montagu) to act as special purpose vehicles, mediating the institutional break as beneficial to and for the general public. The real benefit recipients were the said change actors, who initiated the

[48] A recent job advertisement published by the Bank of England reads: 'we are one of only a handful of institutions internationally with responsibility for delivering monetary, macroprudential, and microprudential policy' (Bank of England, 2017) (See appendix D).

divergent change and subsequently took leading management roles in their pre-set business vision. In short, early modern institutional entrepreneurs efficaciously engaged in adjusting the field characteristics in order to realise their long-standing business plans of denationalisation of money creation to maximise their own economic returns. In the examined event, the English landowning class, it is fair to gauge, was replaced by the moneyed interests at the social pyramid tip (Houblon, 1907). With the detailed study of the creation of the Bank of England and the associated hyperagents, sociologists can attain intimate knowledge about the dynamics of elite production (Bourdieu 1996; Weber 1905).

The presented *theoretically informed historical narrative* opens other research avenues as well. Through a nonmarket strategist lens, scholars can pursue investigation in the framing of the latest and successful proposal as the visionaries attempted to pass legislation twice but failed for various reasons. Scholars leaning towards economic history can further exploit the links between the Revolution of 1688 and the ensuing institutional equilibrium shift as North and Weingast (1989) did in their pioneering study. An initial attempt to contribute to and enrich both strands of economic literature is made in the next chapter.

In parallel, by integrating the theoretical examination of entrepreneurship and history, as Joseph Schumpeter (1949) thought proper, this survey provides an explanation to Clapham's overlooked statement in the preface to his study that Paterson's role in the creation of the Bank was 'overstated'.

> Whether he was strictly the originator of the final Bank of England scheme, or merely the mouthpiece of a City group, we cannot be quite sure… About the existence of the City group there is no doubt… In his final dealings with Parliament, Paterson had to refer back to this group, which he then represented… Godfrey, the three Houblon brothers – Sir John, Sir James, and Abraham – Sir William Scawen, Sir Gilbert Heathcote, Theodore Janssen and the other strong City members of the original Court of Directors.
>
> Sir John Clapham, 1944: 14-15

Fortunately, those who commission corporate history may not always fully understand the subtle trails that (commissioned) business historians may be capable of leaving behind for their colleagues of later epochs to follow – as Clapham did – while they themselves may have felt unable to offer more explicit accounts.

> … while managers attempt to control historical narratives, they are not able to control them in their totality. Historical narratives and most common interpretations of these stories will always be more or less open to counter-historical narratives… So, in contrast to official, managerial historical narratives, ample space exists for other groups, internal and external to the company, to make sense of the organisational past and to create alternative historical narratives.
>
> Foster et al. 2017: 1192

To conclude, as the Professor of Dutch History and Institutions Gustaaf Johannes Renier (1950: 91) remarks 'The accepted history ... is the story of civilised human societies told by historians'. On a similar note, we augment his argument, that the accepted history of the Bank is the story told by a limited number of corporate historians, as they tend to specialise in this field (as any historian does), and some of them had the extraordinary privilege to work with original Bank of England documents. However, by engaging in a close working relationship with the commissioning company, consciously or unconsciously, the corporate historian can omit relevant facts and instead present a biased, favourable picture, which can leave a legacy adversely affecting other strands of research (e.g. economic history as we shall establish in the next two chapters).

The Forging of Capitalism and the Establishment of the Modern Institutional Order

(Source: Unknown 17th Century Dutch Artist, Royal Collection)
Picture 9: The Dutch Invasion Fleet, 1688

Abstract

By adopting an inductive research approach, we argue that the centrepiece of institutional rearrangement in late 17th century was the privatisation of credit issuance by a small group of *identifiable* Whig entrepreneurs and concurrently the legitimisation of such activity. This has resulted, contrary to North and Weingast's endorsed neoclassical hypothesis of inclusive, pluralistic institutional order, in a rent-extracting capitalist system, governed by a system of private money and public debt, where riches flow from the many productive taxpayers to the few (Bank) shareholders.

Revisiting 'Constitutions and Commitment'

'Constitutions and Commitment' by Douglass North and Barry Weingast (1989) argues the improved post-Revolution institutional order laid the foundations for the faster English economic growth in comparison to continental peers. The two scholars claim that Parliament's ascent mitigated sovereign default risk and reneging of debt, allowing economic institutions and agents to lend money to the government with more certainty that the advanced amount and any attached interest payments shall be fully repaid.

> The relationship between the state and the English chartered companies changed decisively after the Glorious Revolution, which permanently shifted the source of sovereign power in favour of parliament.
>
> Freeman, Pearson and Taylor, 2013: 638

Capital market evidence seems to validate the extraordinary shift in confidence - 'the government's ability to tap the resources of society increased' (North and Weingast 1989). National debt grew from £1m in 1688 to £17m by the end of Nine Years' War in 1697 with funds underwritten by the recently established Bank of England, which was 'intermediat[ing] between borrowers and lenders' (North and Weingast 1989: 825).[49] The first few decades after the financial revolution, with which the foundations of modern-day society were laid, showed the promise for great benefits for its visionaries.

Commissioned historian Niall Ferguson (2008a, 2008b, 2012), neo-institutionalist Daron Acemoglu and political scientist James Robinson (2012) recently venerated their analysis of

[49] For modern-day replication of this understanding see the World Bank's Global Financial Development Report 2017/2018: Bankers without Borders, Chapter 1: How the International Banking System Works.

institutional change. Temin (2013) notes that the latter two sages contend that if a similar institutional order to the one formed in post-Revolution England was to be introduced on a global scale rapid economic growth would ensue:

> The Glorious Revolution limited the power of the king and the executive, and relocated to Parliament the power to determine economic institutions. At the same time, it opened up the political system to a broad cross section of society, who were able to exert considerable influence over the way the state functioned. The Glorious Revolution was the foundation for creating a pluralistic society, and it built on and accelerated a process of political centralisation. It created the world's first set of inclusive political institutions... these foundations decisively changed incentives for people and impelled the engines of prosperity, paving the way for the Industrial Revolution.
>
> Acemoglu and Robinson, 2012: 102

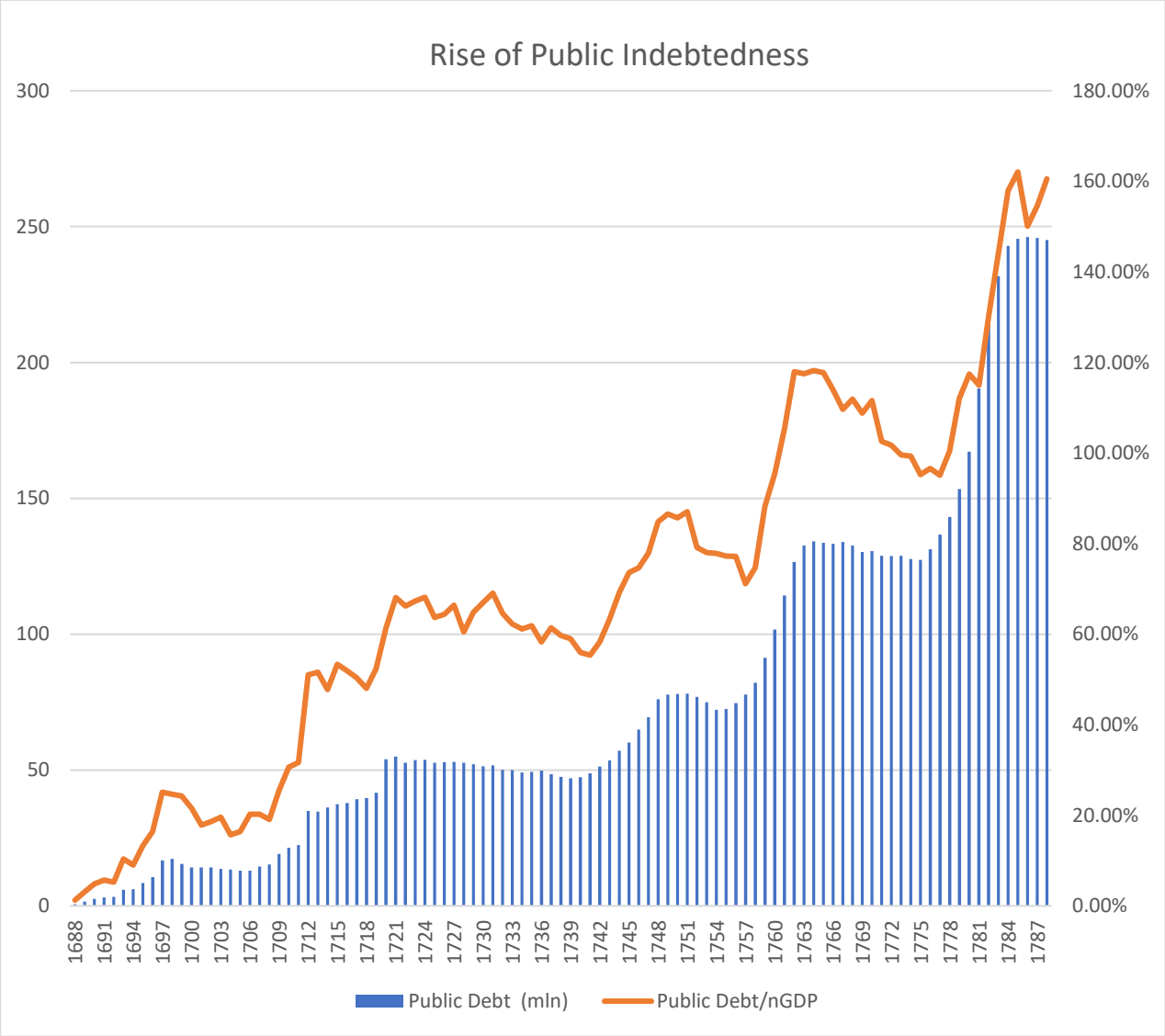


Figure 2: Rise in Public Indebtedness (U.K. 1688 - 1788)

In line with this prerogative for development, contemporary Washington institutions advise developing and transition countries to mimic the post-Glorious Revolution institutional order, presented elegantly by North and Weingast, in order to secure growth and prosperity. The growing number of indices measuring the quality of institutions worldwide strengthens the value of North and Weingast's analysis (Carruthers 2007; Chang 2011; Djankov 2016; Acemoglu, Johnson and Robinson 2001; Aron 2000; North 1990; Peres, Ameer and Xu 2018). Their narrative is embraced by the proponents of EU federalisation and the academic visionaries behind the ECB (Coffman, Leonard and Neal 2013; Persson and Tabellini 1994).

> [North and Weingast] argue that an important factor behind the changes in the English Constitution that took place after the Glorious Revolution in 1688 can be understood precisely as a response to previous incentive and credibility problems in fiscal policy. In particular, they argue that the previous confiscatory powers of the Crown and the associated incentives to renege on outstanding obligations had made it very hard to collect revenue from the private sector and to finance temporary war expenditure with borrowing.
>
> Persson and Tabellini, 1994: 21

To summarise, North and Weingast present an idealised story about the rise of democracy, charactarised by the introduction of pluralistic, inclusive political institutions with separation of powers, barring authoritarian rulers from dishonouring debt contracts, all of which had resulted in increased security of private property rights and thus investments in government debt. All these institutional changes paved the way for the Industrial Revolution, we are told. However, their story, as they themselves label their Whiggish-centred neo-institutional study, has been scrutinised by a wide range of scholars pointing out a number of inaccuracies and flaws (Coffman, Leonard and Neal 2013; Carruthers 2007; Cheng 2011; Cox 2012, 2015, 2017; Sussman and Yafeh 2006).

Based on research of the archival record, we too challenge the institutional analysis advanced by North and Weingast, which relies heavily on Peter Dickson's (1967) magisterial work 'The Financial Revolution'. By adopting an inductive research approach, we demystify some of the myths that North and Weingast had constructed. The latter are shown to have produced a one-sided analysis of the post-Revolution institutional order, based on their deductive research

methodology, in particular their representation of economic (credit) institutions.[50] We further identify some of the '*faceless winners*', which had a profound interest in the political events unfolding in 1688 with the subsequent aim to privatise *money creation* under the new institutional order with the founding of a privately held Bank of England.

This chapter is organised in the following order. Section 2 reveals the engagement of the Bank of England in money creation through double entry bookkeeping (opposite to Samuelson 1973 and Lucas 1996 in Dianova 2018). The following section extends the discussion about the Bank's international operations in the field of 'money remittance' through archival research, which yields support for the economics of early correspondent banking developed by Larry Neal (1991). Section 4 relies heavily on *historical organisation studies* in the narrating mode. We then revisit the disremembered Anglo-Dutch moment, when the foundations of the governing institutional order were first laid. Section 5 draws policy recommendations about the advice provided by supranational institutions to transition, developing and developed countries, experiencing fiscal problems, followed by a conclusion.

How do 17th Century Economic Institutions Really Work? Theory vs. Empirical Evidence

The significance of the Bank of England in North and Weingast's institutional analysis is hardly surprising (Harris, 2013:27). After all, the security of repayment of the lenders' funds was the centrepiece for the improved institutional framework with the Bank of England being, by a margin, the single biggest investor and thus profiteer from the post-Revolution settlement. The conventional narratives, as illuminated by the ample string of compiled quotes, depict the newly founded economic institution, which was to become the 'institutional centre of the City' (Roberts and Kynaston 1994), as a mere financial intermediary that gathered funds, such as its capital, and then proceeded to lend these. This is in line with the post-war representation of the banking business, which follows the commodity theory of money.[51] We conducted primary research in the Bank of England Archive to verify this core tenet of the business practice of the new credit centre in the City.

[50] Since the Global Financial Crisis, the deductive methodology in economics has been under great scrutiny (see Werner, 2014a, 2014b; Romer, 2016; Galbraith, 1987; Kornai, 1971; King, 2016, 2018).
[51] Keynes 1936; Tobin 1963, 1969; Diamond and Dybvig 1983; Baltensperger 1980; Diamond 1984, 1991 1997; Diamond and Rajan 2001; Rajan 1998; Gorton and Pennacchi 1990; Allen and Santomero 2001; Allen and Gale 2004; Bernanke and Gertler 1995; Gertler and Kiyotaki 2011 and Stein 2014. For an overview see Werner 2016.

For the Bank it was inevitable, since all its capital was to be lent to government.

Sir John Clapham, 1944:19

If half the [capital] sum of £1.2m promised were lent to the state at 8% by 1 August 1694, the subscribers were to be incorporated under the Great Seal as 'the Governor and Company of the Banke of England'.

Peter Dickson, 1967:54

[The] Bank makes first payment (£112,000) to the government; the entire £1,200,000 capital is transferred by the deadline of 1 January 1695.

Richard Roberts and David Kynaston, 1994:225

The projects during the reign of William III … are remarkable in that they all contain the proposal that the capital stock of the Bank should constitute a loan to the State.

Eugen von Philippovich, 1911:55

The public subscriptions raised £1.2 million in a few weeks, which formed the initial capital stock of the Bank of England and was lent to Government in return for a Royal Charter… and the Bank started its role as the Government's banker and debt manager.

Bank of England, 2017

Contrary to the story still presented by the Bank of England on its website (e.g the quote above), the primary and secondary evidence we provide shows that the new banking firm was not intermediating existing funds as claimed.[52] The archival record shows that only 60% of original share capital was raised by the end of the calendar year, while the whole capital amount of £1.2m had been 'advanced' to the government's coffers. Michael Godfrey, the Bank's first

[52] About the credit view of money and banking see Innes 1913; Keynes 1930; Werner 2003, 2005, 2014a, 2014b, 2016; Lee, K-S and Werner 2018; Carbonell and Werner 2018; King 2016; Stiglitz 2016 a, b; Goodhart 2017; Ingham 2004; Wray 2014; Tcherneva 2016.

deputy governor and a leading figure in its establishment, confirms this finding with his pamphlet on the defense of the Bank of England, published in 1695:

> Some find fault with *the Bank,* because they have *not taken in the whole 1200000 l.* which was Subscribed; for they have called in but for 720000 *l.* which is more than they have now occasion for: But however, they have paid into the Exchequer *the whole* 1200000 *l. before the time appointed* by the *Act of Parliament*…
>
> Michael Godfrey, 1695

How did the newly founded 'financial intermediary' manage to achieve this miracle? Double-entry bookkeeping was adopted as the preferred *modus operandi* from day one (Murphy 2010; Carruthers and Babb 1996; Ingham 2004). This allowed for the creation of the money *ex nihilo*, or what William Petty (1682:166) had labelled - 'double the Effect of our coined Money'. The Bank issued fiduciary paper notes with a printed '*I promise to pay the bearer on demand the sum of 100 pounds*', which it handed over to the Treasury for the war efforts against France.[53]

> The new bank paid into the Exchequer £112,000, which they did by their bank bill, sealed with the seal of their corporation, being the Britannia sitting on a bank of money.
>
> Lutrell, 1695 in Clapham, 1944: 20

> *the Bank* being *a Bank of Credit* … would venture to extend its Credit.
>
> Michael Godfrey, 1695 *(italics added)*

[53] Despite the innumerable changes of banknotes' design, the impersonal, assignable promise can still be seen proudly displayed on contemporary Bank notes. The public confidence and trust in the evinced promise, now governmental, is reinforced with the images of high-ranking public officials (e.g. the Queen and Winston Churchill) and notable scientists (e.g. Charles Darwin, Adam Smith, Elizabeth Fry, Isaac Newton and others). Therefore, the social nature and origin of money must be modelled in any and all attempts to explain the monetary systems through the ages.

Assets		Liabilities	
Loans and Advancements	£1,200,000	Promissory Notes	£1,200,000
Cash (gold, non-BoE banknotes)	£720,000	Capital (Paid up)	£720,000
Other debtors	£480,000	Capital (Not paid up)	£480,000
Total Assets	£2,400,000	Total Liabilities	£2,400,000

Table 2: Stylised T-Account of the Bank of England at End of 1694

The archival record thus unearths a fundamental flaw in North and Weingast's definition of economic institutions. Banking corporations, unlike ordinary firms, neither channel existing funds from savers to borrowers, nor do they multiply reserves up. Instead, in the process of lending they create and allocate new purchasing power (Werner 2003, 2005, 2014a).[54] The Cambridge professor Ingham (2004:139) records that '[i]n accordance with double-entry bookkeeping, the totals of deposits (liabilities) and loans (assets) in the *entire system* cancel each other. This gives the *appearance* that there exists a one-to-one relationship between deposits and loans'. The creation and allocation of credit *ex nihilo* is the *differentia specifica* of banks in comparison to non-bank finance intermediaries, which had escaped the attention of mainstream economists and political observers including North and Weingast (1989).

With this empirical finding, the creation (and the destruction as it will be discussed) of money must be treated as a two-sided balance sheet activity and thus intrinsically related to the brass tacks of the capitalism (Tcherneva 2016; Sombart 1911; Wray 2014). This accounting verity, under any and all circumstances, implicitly recognises that 'all money is credit' (Ingham 2013:128), irrespective of the moneything (i.e. commodity, clay tablets, paper, mobile payment solutions, plastic cards, e-money). A definition of credit is thus in order.

An unambigious definition is developed by Innes (1913: 392) (which had sent the reviewer of his study, John Maynard Keynes, on his Babylonian madness (Wray 2014)). His logic behind the doubly double relationship of debits-credits and debtor-creditor is stylised below. In a world fuelled by pecuniary units (Stiglitz 2012, 2015), this graphicisation provides economists, both mainstream and heterodox (e.g. Marxist, Austrians), with a realistic, hexagramic relationship model between debits and credits on one hand and debtors and creditors on the other. As a result, the foundations of a definition of banking are laid.

[54] Niall Ferguson (2008a: 48 – 52) explains the exercise with which MBA students are taught fractional reserve banking, starting with a $100 note and 10% reserve requirement, which create additional deposits in the financial system. He incorrectly defines this process as the 'creation of credit and hence of money'. As depicted in the hexagram above no prior deposit needs to take place in order create credit and hence money in the capitalist order.

> [Credit] is simply the correlative of debt. What A owes to B is A's debt to B and B's credit on. A is B's debtor and B is A's creditor. The words 'credit' and 'debt' express a legal relationship between the two parties and they express the same legal relationship seen from two opposite sites. Whether, therefore, … the word credit or debt is used, thing spoken of is precisely the same in both cases, the one or the other word being used according as the situation is beign looked at from the point of view of the creditor or the debtor … credit and credit alone is money.
>
> Mitchell Innes, 1913: 392

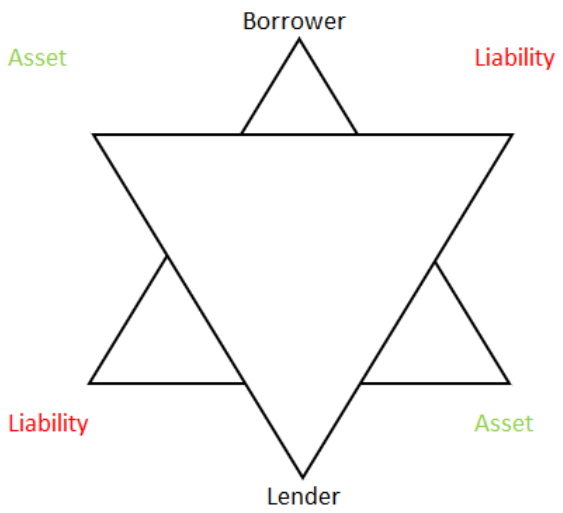


Figure 3: Theoretical Model of Money, Credit and Banking

To this end, the Bank of England is not the first entity to enjoy the invisible but economically profitable money creation privilege. Pezzolo's (2014) study on Italian medieval capitalism confirms the notion that city merchants there enjoyed the competitive advantage of creating money of account at will through paper issuance.[55] Thus, further heterogeneous inquiries in the socio-economic origins of money, alienating the common and professional misconception of its genesis rooted in the commodity theory of money and when the canons of the banking art were first scribed, are invited.

Despite this call, drawing on the conducted archival research, it is fair to assess that since its founding, the City's institutional centre that was to become great engine of the British state, in Smithian (1776) terminology, was leveraged to create new deposits and thus money in the

[55] See BBC One's 'Italy's Invisible Cities: Florence' on how the Medicis, at the time probably the richest family in the world, built an invisible bridge to the populace connecting their palace to the city chambers from where they ruled.

process of lending at interest. The vast interest income, generated through the constant levy of new dues and duties upon the productive members of society by its main customer, the British government, produced the ample profits paid out as dividends to the firm's tight shareholder base. Or as Pincus and Robinson (2011) recently assessed the aim of the Revolution of 1688 and its glorified institutional framework was:

> … to pile "taxes upon taxes, and debts upon debts" so that "a small number of families" could gain "immense wealth".
>
> Steve Pincus and James Robinson, 2011:31

For example, Sir Gilbert Heathcote, one of the original directors, netted in excess of £60,000 after the first few years of operations (Knights 2002). In fact, the fiscal apparatus, perfected and expanded by the post-Revolution Parliament (O'Brien 2014; Brewer 1988) with the 'exclusive authority to raise new taxes' (North and Weingast 1989) without seemingly breaking the 'social contract' (Locke 1690) was used as an intermediary to channel funds from the many productive taxpayers to the few bank shareholders with dividends paid proportionately to shareholdings. 31% of shareholders owned 75% of the bank concern at inception without accounting for the expanding interest of some key major shareholders (e.g. the Du Quesnes, the Houblons), when the investment ceiling was doubled to £20,000 per investor (Dickson 1967). Thus, a small number of families held dominant stakes in the profiteering enterprise.

Soon after its erection, the Bank had negotiated that its generated profits will not be subject to taxation, thus further invigorating income and wealth inequality in British society.[56] A few years later a contemporary lamented that:

> The Landed Gentlemen bore the greatest Share of the late War; by that they had been loaded with many heavy taxes; by that were all those Funds created out of which the Plumb Men of the City of London have made most of their Estates, by which they are enabled to deck their Wives in Velvet and rich Brocades, while poor Country Gentlemen are hardly able to afford their Wives a Gown of Lindsey Woolsey.
>
> Danvers, 1733 cited by Dickson, 1967: 28

[56] Despite the Bank's nationalization, today over 95% of the money supply is produced by private commercial banks in the process of lending to non-banking customers (i.e. corporates, households, public sector bodies) (Josh Ryan-Collins et al. 2013). Huber and Robertson (2001) had estimated that this costs British taxpayers in excess of £66b.

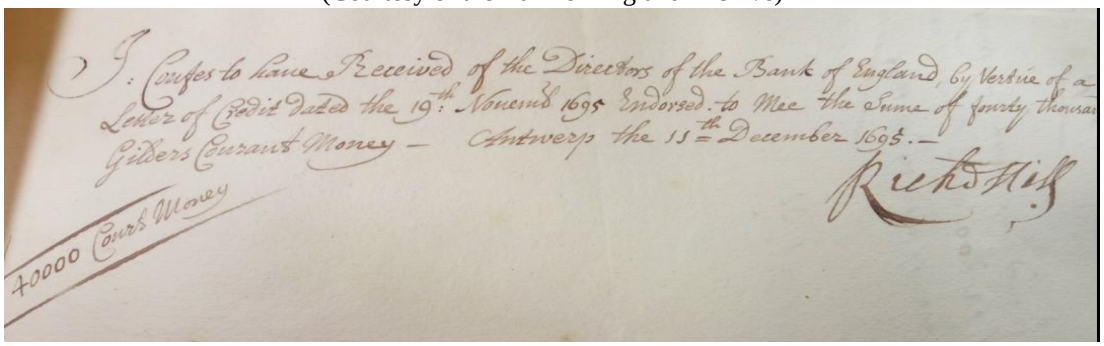
It was namely the privatisation and legalisation of this special class of economic institutions, performing the vital economic activity of money printing and allocation, which was the centrepiece of the political regime change at the end of the short 17th century, pursued by a small clique of identifiable Whig radicals in order to enrich themselves, which allowed them to sit atop of a rigid societal pyramid at the time of the Industrial Revolution - a matter which puzzles Piketty (2014) (see next chapter). The established hidden redistributive and wealth concentrating institutional system governed by pecuniary interest since the turn of the short 17th century safeguarded by the democratic, pluralistic political institutions with an independent judiciary system enforcing debt contracts (Djankov et al. 2006) under the seeming protection of property rights is the cornerstone to the contemporary riddle of income and wealth inequality (Piketty 2014; Dorling 2014; Atkinson 2015; Stiglitz 2012, 2015, 2017).

The Antwerp Agency: How did the Bank 'remit' money to Flanders?

Though North and Weingast's negligence in relation to important contextual details may be perceived as a major point of concern as the following section will demonstrate, there are also other important areas which they have failed to explore. As disclosed in section 2, the Bank of England underwrote national debt by issuing paper banknotes and advanced these to the Treasury. However, the latter was soon to realise that these new financial debt instruments were not particularly useful for the discharging of payments to British troops, who fought in foreign lands.

The Bank of England thus had to facilitate the remittance of payments to British troops abroad. This crucial aspect had also escaped the analysis of North and Weingast, probably due to their overreliance on a core tenet of neoclassical economic theory, namely the intermediation theory of banking. That is to say, the two academics assume that the raised money was remitted in bullion form through the Bank's Antwerp agency, which was set up to facilitate these transfers. The archival record shows otherwise, though on occasion bullion was indeed sent over the English Channel.

Picture 10: Bank of England 'Remittance' of Money
(Courtesy of the Bank of England Archive)

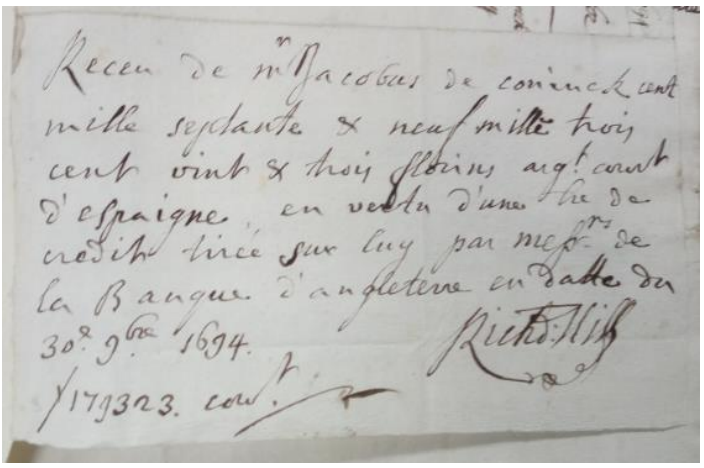

I Confess to have Received of the Directors of the Bank of England, by Vertue of a Letter of Credit Dated the 19th Novemb 1695 Endorsed to Mee the Sume of fourty thousand Guilders Currant Money – Antwerp the 11th December 1695.–
Richd Hill
40000 Currt Money

The letter above reads:

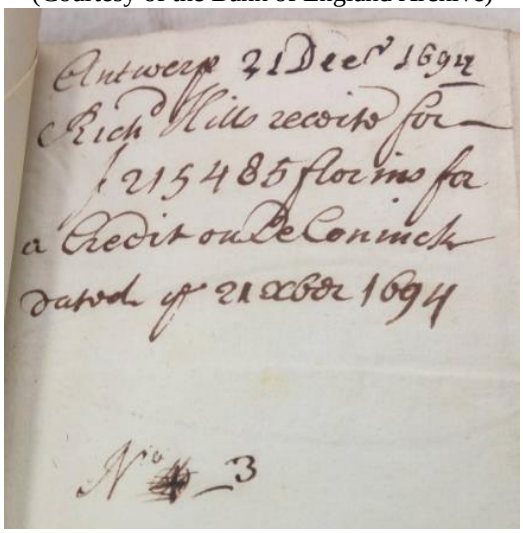
> 'I Confess to have Received of the Directors of the Bank of England by Virtue of a Letter of Credit dated the 19th November 1695 Endorsed to Me the Sume of Forty thousand Guilders Currant Money – Antwerp the 11th December 1695. (Richard Hill, Paymaster of the British Troops in the Low Countries)

For the most part, the Bank of England drew bills of exchange on Flanders banks (e.g. de Coninck) and presented these financial instruments to the paymaster of English troops, Richard Hill. This is an archival finding strengthened by another 80 letters of credit received and signed by the Paymaster of the British Troops in the Low Countries (see excerpts and a summary of the letters below).

Picture 11: The First Bank of England Remittance Letter
(Courtesy of the Bank of England Archive)


Recen de mr Jacobus de coninck cent mille septante & neuf mille trois cent vint & trois florins argt courant d'espaigne, en vertu d'une lre de credit tirée sur luy par mes.rs de la Banque d'angleterre en datte du 30e 9bre 1694.
Richd Hill
179323. cour.t

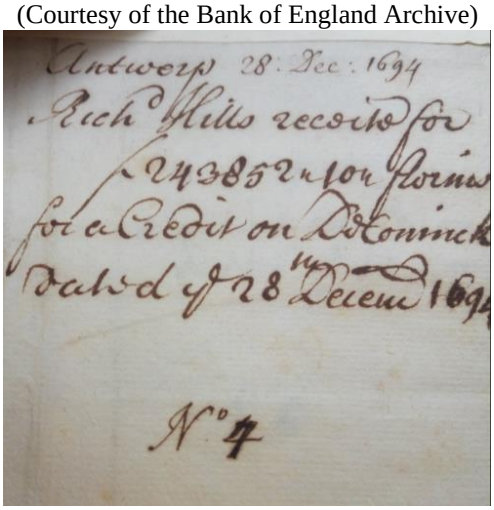
Picture 12: The 3rd Letter of Credit sent over by the Bank of England
(Courtesy of the Bank of England Archive)


Antwerp 21 Decr 1694
Richd Hills receiptt for
fl 215485 florins for
a Credit on De Coninck
dated ye 21 octbr 1694

N° 3

(Text reads: Antwerp, 21 Dec 1694, Richd Hill received for Fl.215 485 florins for a Credit on De Coninck, date of 21 Octor)

Picture 13: The 4th Letter of Credit sent over by the Bank of England
(Courtesy of the Bank of England Archive)


Antwerp 28. Dec: 1694
Richd Hills receipt for
fl 243852 : 10 florins
for a Credit on De Coninck
dated ye 28th Decem 1694

N° 4

Picture 14: Receipt of Money by Richard Hill, Paymaster of the British Army
(Courtesy of the Bank of England Archive)

List of Receipts for mony paid beyond Seas for and of the Banke of England

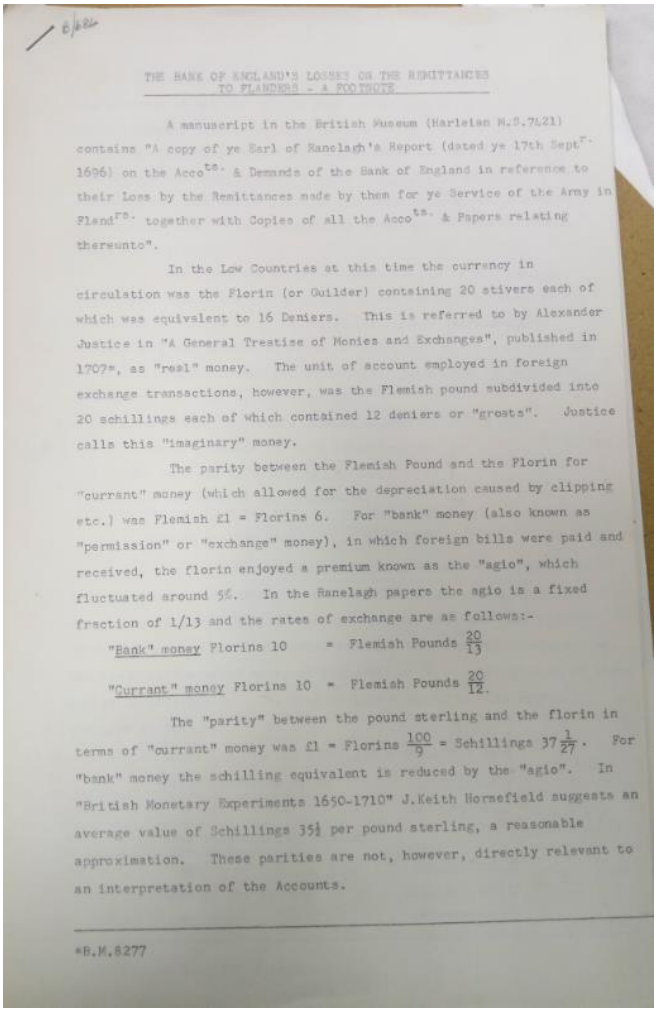
1	Nov. 30. 1694	Richard Hill Esq.	179323	—	—
2	Dec. 9. 1694	Ditto	867136	—	—
3	Dec. 21. 1694	Ditto	213485	—	—
4	D°. 28. 1694	Ditto	243852	10	—
5	D°. 29. 1694	Ditto	309000	—	—
6	Jan. 11. 1693	Ditto	257500	—	—
7	Feb. 4. 1693	Ditto	190771	10	—
8	Mar. 14. 1693	Ditto	152466	11	—
9	Ditto	Ditto	238741	17	—
10	Ditto	Ditto	206000	—	—
11	D°. 16. 1693	Ditto	48480	—	—
12	Apr. 14. 1695	Ditto	569590	—	—
13	May 2. 1695	Ditto	303000	—	—
14	D°. 9. 1695	Ditto	171700	—	—
15	D°. 16. 1695	Ditto	303000	—	—
16	June 6. 1695	Ditto	119180	—	—
17	June 6. 1695	Ditto	606000	—	—
18	D°. 23. 1695	Ditto	707000	—	—
19	D°. 25. 1695	Ditto	285102	—	—
20	July 19. 1695	Ditto	303000	—	—
21	Aug. 3. 1695	Ditto	101000	—	—
22	D°. 11. 1695	Ditto	92750	—	—
23	Ditto	Ditto	976740	—	—
24	D°. 16. 1695	Ditto	303000	—	—
25	Sept. 2. 1693	Ditto	330000	—	—
26	Ditto	Ditto	330000	—	—
27	Ditto	Ditto	200000	—	—
28	Ditto	Ditto	125740	—	—
29	Ditto	Ditto	250000	—	—
30	Octo. 3. 1695	Ditto	233000	—	—
31	D°. 8. 1695	Ditto	500000	—	—
32	D°. 12. 1695	Ditto	258000	—	—
33	D°. 14. 1695	Ditto	250000	—	—
34	Nov. 30. 1695	Ditto	260000	—	—
35	Ditto	Ditto	220000	—	—
36	D°. 11. 1695	Ditto	200000	—	—
37	Dec. 1. 1695	Ditto	200000	—	—
38	D°. 11. 1695	Ditto	40000	—	—
39	D°. 12. 1695	Ditto	200000	—	—
40	D°. 18. 1695	Ditto	200000	—	—
41	D°. 29. 1695	Ditto	181210	—	—
42	Jan. 2. 169 5/6	Ditto	120000	—	—
43	D°. 7. 169 5/6	Ditto	200000	—	—
44	D°. 9. 169 5/6	Ditto	240000	—	—
45	Feb. 8. 169 5/6	Ditto	560740	—	—
46	D°. 10. 169 5/6	Ditto	500000	—	—
47	D°. 17. 169 5/6	Ditto	448290	—	—
48	Mar. 12. 169 5/6	Ditto	300000	—	—
49	D°. 22. 169 5/6	Ditto	300000	—	—
50	Apr. 2. 1696	Ditto	729830	—	—
51	D°. 30. 1696	Ditto	300000	—	—
52	May 10. 1696	Ditto	200000	—	—
53	D°. 16. 1696	Ditto	600000	—	—

(The top row reads: List of Receipts for mony paid beyond Seas for and of the Banke of England)

These primary archival findings are confirmed by secondary evidence. An item kept at the Bank of England Archive (ADM30/92, Part 2) is a translation from Dutch of a document relating to money borrowed in the province of Holland by Directors of the Bank of England domiciled at Antwerp in 1695. This secondary source again confirms the notion that the Bank of England was hardly engaged in remittance of bullion. The letter is retyped in Appendix A but an excerpt with the relevant content is presented in the box below. Another independent secondary source, the Ranelagh Report (1695), reaffirms that the Bank indeed utilised a great amount of bills of exchange to 'remit' money over the English Channel.

> … we [The Bank of England] have borrowed …though they are lying ready for that purpose in cash in London, both because we cannot bring them over here in specie except with considerable loss and also because of the notable fall in the exchange and because the Bills of Exchange requisite for the purpose cannot be obtained for dispatch either in London or in Amsterdam.
>
> An Excerpt from a Letter of Money Borrowed in Holland by the Bank of England Directors domiciled in Antwerp

Picture 15: The Bank of England's Losses on the Remittances to Flanders
(Courtesy of the Bank of England Archive)



THE BANK OF ENGLAND'S LOSSES ON THE REMITTANCES TO FLANDERS - A FOOTNOTE

A manuscript in the British Museum (Harleian M.S.7421) contains "A copy of ye Earl of Ranelagh's Report (dated ye 17th Septr. 1696) on the Acco^ts. & Demands of the Bank of England in reference to their Loss by the Remittances made by them for ye Service of the Army in Fland^rs. together with Copies of all the Acco^ts. & Papers relating thereunto".

In the Low Countries at this time the currency in circulation was the Florin (or Guilder) containing 20 stivers each of which was equivalent to 16 Deniers. This is referred to by Alexander Justice in "A General Treatise of Monies and Exchanges", published in 1707*, as "real" money. The unit of account employed in foreign exchange transactions, however, was the Flemish pound subdivided into 20 schillings each of which contained 12 deniers or "groats". Justice calls this "imaginary" money.

The parity between the Flemish Pound and the Florin for "currant" money (which allowed for the depreciation caused by clipping etc.) was Flemish £1 = Florins 6. For "bank" money (also known as "permission" or "exchange" money), in which foreign bills were paid and received, the florin enjoyed a premium known as the "agio", which fluctuated around 5%. In the Ranelagh papers the agio is a fixed fraction of 1/13 and the rates of exchange are as follows:-

"Bank" money Florins 10 = Flemish Pounds $\frac{20}{13}$

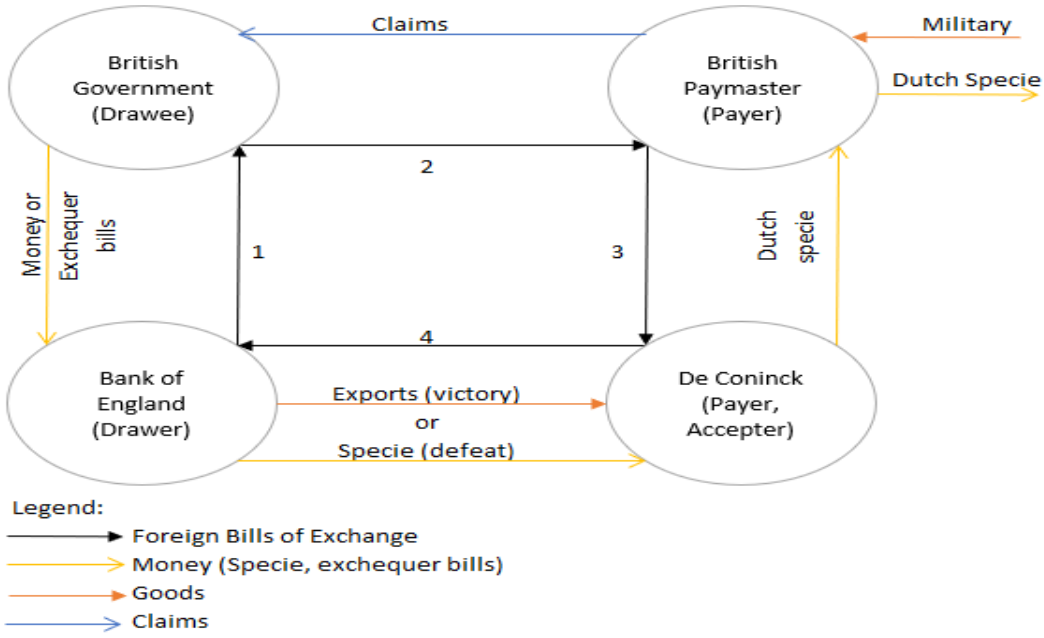
"Currant" money Florins 10 = Flemish Pounds $\frac{20}{12}$.

The "parity" between the pound sterling and the florin in terms of "currant" money was £1 = Florins $\frac{100}{9}$ = Schillings $37\frac{1}{27}$. For "bank" money the schilling equivalent is reduced by the "agio". In "British Monetary Experiments 1650-1710" J.Keith Horsefield suggests an average value of Schillings 35½ per pound sterling, a reasonable approximation. These parities are not, however, directly relevant to an interpretation of the Accounts.

*B.M.8277

Larry Neal (1991: 202) provides a pristine, concise account on the economics of correspondent banking in the early modern era. His interpretation is logical because the very nature of money, credit and banking was to protect gold, whilst making financial transactions easy and secure. With the use of bills of exchange, in the words of Brandon (2018: 26), 'accounts can be balanced without any need for remittances in specie across the Channel'. Pezzolo (2014) shares their view and annotates that: [57]

> Another method of financing, which was developed in the late thirteenth century, was the bill of exchange. In order to avoid the difficulties of transferring large amounts of coin merchants resorted to a written order of payment in foreign currency abroad (Goldthwaite, 2009; Mueller, 1997) … The bill of exchange met success because it facilitated international payments… a further innovation occurred in late sixteenth-century Antwerp, as bills of exchange could be negotiated and easily transferred by endorsement.
>
> Luciano Pezzolo, 2014: 280



(Source: Larry Neal, 1991: 202)

Figure 4: The Economics of Foreign Bills of Exchange

[57] On the economics of banks as accountants of society see Fama (1981).

Based on this exhaustive list of empirical evidence, both primary and secondary, we concluded that the preferred method for international payment was foreign bills of exchange rather than bullion remittance. This finding reveals that there is no international transfer of money or flow of money, as purported in popularised academic literature (e.g. Humean price-specie flow mechanism, Mundellian optimal currency area), especially for large money transfers (unless a loss of a war).

In fact, merely an exchange of account entries between (private) banking houses materialises which facilitate cross-border financial transactions and the flow of goods. In light of these empirical findings, it is fair to assess that Bank of England's correspondent banks in the Low Countries were paying out to English troops either in specie or 'imaginary money' (Justice 1707). On the other hand, the foreign banking houses retained the right to purchase goods and services produced in England. The initial depreciation of the pound allowed English goods to be more competitive on the international market, subsequently rebalancing the resulting current account gap and returning the guilder-pound exchange rate to the pre-transactional level.

The crude reality is that: had there been a need to raise money to pay military troops abroad for a 'temporary' war, the English government could have issued promissory notes itself, without the need to resort to 'borrowing' at a compound interest from City financiers who set up a 'temporary' institution.[58] Parliament may have exchanged government-issued IOUs with the political institutions of the foreign land without contractually committing the nation to pay heavy interest, reducing itself to a servant of private interests, creating income and wealth disparity in the event. Within such an alternative institutional framework where the government issues money, the private banking institutions are rendered obsolete. National debt and interest payments on it defrayed from taxes would not be needed and thus income and wealth inequality would not be a major problem.

Another passing but important finding must be drawn. The attempt by the state to discharge its payments with the private money that the Bank issued made the private promises '*valuta*' and thus legalised them in the eyes of the public: 'for now everybody is glad to take its banknotes since all inhabitants of the State have occasion to make epocentric payments (e.g. for taxes)' (Knapp 1905:137). Thus, there is strong empirical evidence that the hypothesis by Wray (2014)

[58] On the power of compound interest see Margrit Kennedy's brilliant analysis in 'Interest and Inflation Free Money' (p. 5-8) or Michael Hudson's (2014) Killing the Host. For a discussion on the adverse limits of accounting in a capitalist system see Wolff (2012).

of a symbiotic relationship between the state theory and credit theory of money is not a nullity. Further empirical explorations and analyses in this direction are invited.

The Disremembered Anglo-Dutch Moment

While painting an extensive Whig-inspired grim picture of the Stuart reign and slighting the wider religious context, North and Weingast skilfully evaded important details about the actual political regime change in 1688. A successful foreign invasion of England, launched and sponsored by what was then the leading banking centre in Europe, the Low Countries and Amsterdam (Quinn and Roberds 2007, 2010, 2014; Jonker and Gelderblom 2014), with a fleet vastly larger than the Spanish Armada - 'in all four times as large as the Spanish Armada of 1588' (Troost 2005: 195; Jardine 2008) - and counting over 40,000 troops (Glozier 2008), substantiated with a written political manifesto, including the re-instalment of 'the ancient charter of the great and famous city of London [which] shall again be in force' (Willem van Oranje 1688), will be considered as important nuances of the institutional and political environment by researchers (see Battilana et al. 2009). Despite omitting incorporation of such key details in their analysis, the two notable scholars had also successfully managed *not* to identify the *faceless winners* of the *coup d'état*. In Stiglitzian spirit (Stiglitz 2001; Stiglitz and Weiss 1992), this paper provides an initial attempt to remedy these informational asymmetries, both at institutional and entrepreneurial level.[59]

Historical Organisation Studies in the Narrating Mode

Prior to detailing the institutional change context, it is befitting to set out the methodological framework for this part of the research chapter. In line with the other parts of the manuscript, the emerging integrationist framework of *historical organisational studies* developed by Maclean, Harvey and Clegg (2016, 2017) has been adopted. In contrast to the previous chapter, the following sections rely extensively on the narrating mode.

The three professors silhouette that historical organisational studies within this enquiry mode '[privilege] historical storytelling and argumentation over theorization, while yielding general propositions susceptible to theoretical interrogation and empirical testing' (Maclean, Harvey and Clegg 2016). They expound that '[t]heory is largely offstage, propositions and arguments

[59] This is also a pertinent way to invalidate one of the major assumptions behind North and Weingast's mode of analysis – neoclassical economics, which has sufficient explanatory power to explain anomalies in an imaginary world, but has no tangible value in explaining how economic phenomena works in the real world (Kornai, 1971).

emerging inductively from the accumulation, ordering and analysis of historical evidence'. Thus, the narrating mode is structured to permit scholars to describe a wide range of transformative, social processes such as the examined in this paper institutional shift occurring in the late 17th century England.

Their history-centred framework echoes that of economists of the early 20th century, including Gustav Schmoller, Werner Sombart, and also Joseph Schumpeter. They all called for history to be adopted as a fundamental tool in economics research – an invitation, which has largely been ignored by mainstream economists. By contrast, the latter have adopted the deductive methodology (King 2018; Temin 2013; Ingham 2004). This dominant tactic first postulates axioms (such as the rational, utility-maximising, immortal, selfish individualist uninterested in others) in a joint conditionality.[60] The resulting obscure structure describes an imaginary, sterile world within which economic models are operated (Werner 2003, 2005; Offer and Soderberg 2016; Kornai 1971; Ingham 2004). Even the founding father of classical economics will be baffled by the pure theoretical state of the field – 'in The Theory of Moral Sentiments, [Adam Smith] explicitly denied that human behaviour could be adequately described in terms of people's "rational choice" to maximize their individual utility' (Morson and Schapiro, 2017).

The prevailing problems in economics research, which co-evolve with these in other strands of social sciences, including management, are best abridged by Temin (2013) on a narrower, university level with the evolution of economics teaching at the MIT. The prominent academic explicates that the three-legged stool in economics has lost its balance due to the wholesome disregard for the study of (economic) history since the 1970s, epitomised with the utter failure of the influential book by Acemoglu and Robinson (2012) to discuss the underlying issues of the institutional order in the English speaking world but rather their study takes a short-gun approach to extol the paragon's replication across the globe:

> The United States is in danger of becoming a failed state, and Acemoglu and Robinson miss the chance to relate their survey of human history with an important lesson about

[60] "This know also, that in the last days perilous times shall come. For men shall be lovers of their own selves, covetous, boasters, proud, blasphemers, disobedient to parents, unthankful, unholy, without natural affection, trucebreakers, false accusers, incontinent, fierce, despisers of those that are good, Traitors, heady, high minded, lovers of pleasures more than lovers of God; Having a form of godliness but denying the power thereof: from such turn away. For of this sort are they which creep into houses, and lead captive silly women laden with sins, led away with divers lusts, Ever learning, and never able to come to the knowledge of the truth." 2 Timothy 3:1-7

the present. The distributions of income and wealth have been getting worse since the 1970s, and political power has been concentrating more and more in the very wealthy…

Peter Temin, 2013: 15

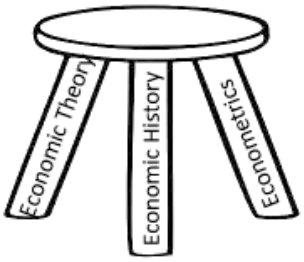


Figure 5: The Three-Legged Economics Research Stool

Thus, in our dying age, much of economics research has become sterile. It is centred on deciphering universal truths, valid under any circumstances and at all times. But one should bear in mind that the cleaner the closet door, the dirtier the skeletons within. This impotent approach lacks the breadth and depth that historical details (e.g. context and contingency) can offer in unravelling socio-economic phenomena. The failure to adopt the empirical, inductive and therefore the historical method in economics explains its present-day lack of success in producing meaningful, applicable research (Schumpeter 1912; Temin 2013; Ingham 2004).[61]

Thus, with the aim to fill the current gap in economics research, we follow Perchard et al. (2017:5) who identify two of Andrews and Burke's five Cs as particularly important in explaining long-term social and economic change: context sensitivity and contingency. Fortuitously, this is in line with the philosophy of historical organisation studies advanced by Maclean, Harvey and Clegg (2016, 2017). Andrews and Burke assert that '… [contingency] offers a powerful corrective to teleology, the fallacy that events pursue a straight-arrow course to a pre-determined outcome, since people in the past had no way of anticipating our present world. Contingency also reminds us that individuals shape the course of human events'. Context sensitivity and contingency, we concur with the three sets of scholars, are essential where significant changes to deep structures such as the monetary system take place. As it will be demonstrated in our analysis later, realignment of the institutional and political equilibrium

[61] Josh Ryan-Collins, Richard Werner and Jennifer Castle, "A half-century diversion of monetary policy? An empirical horse-race to identify the UK variable most likely to deliver the desired nominal GDP growth rate," *Journal of International Financial Markets, Institutions and Money* 43 (2016): 158-176; Richard Werner, *Princes of the Yen*, 2003; Richard Werner, *New Paradigm in Macroeconomics: Towards a Quantity Theory of Credit*, 2005; Paul Romer, *The Trouble with Macroeconomics*, 2016; Galbraith, *A History of Economics: The Past and Present*, 1987

can be time-consuming, resulting in intergenerational implementation of family and community vision (Andrews and Burke 2013; Battilana et al. 2009).

Context of the Institutional Change

The surprising fact that researchers, including North and Weingast, studying the Revolution of 1688 and its impact over English society and the emerging institutional arrangements seem to have overlooked any possible connection to the successful foreign invasion of England a few years earlier is perhaps not entirely their fault. The celebrated Dutch historian Jonathan Israel (1991) notes:

> [S]ince the early eighteenth century, a thick wall of silence has descended over the Dutch occupation of London 1688-90. The whole business came to seem so improbable to later generations that by common consent, scholarly and popular, it was simply erased from the record.
>
> Jonathan Israel, 1991: 128

British historian Lisa Jardine (2008: 27f) shares his view:

> One obvious reason for this historical amnesia is the enduring impact and lasting success of the propaganda offensive launched by William of Orange even before he left Dutch shores. Surviving documents tend to exert a strong influence over retrospective historical interpretation – they are the stuff of which narrative history and interpretation are made. It is all too easy for the reader to be drawn into agendas and interpretations intentionally made part of the original telling. In the case of the so-called Glorious Revolution that shaping influences is especially misleading. For the story of William's Protestant invasion had been honed and edited with enormous care, fashioned in the telling with great pains, and conscientiously committed to print, before ever the fleet left its Dutch harbour.
>
> Jardine, 2008: 27f

Despite these extenuating circumstances, it is important to acknowledge the clandestine fashion in which the last successful invasion of England had been prepared and executed in order to understand the context when North and Weingast's glorified institutional change occurred.

Israel (2002: 106) reports that the total cost for the navy and army was more than seven million guilders, or approximately £800,000, applying the contemporary exchange rate reported by

Jardine (2008).[62] Four million guilder were allowed by the Amsterdam burghers in order to increase the customary size of the Dutch naval armada (Troost 2005:195). Fleeing Huguenot soldiers were recruited as well as mercenaries from Brandenburg, Sweden, other city-states, including two hundred blacks from the Dutch colonies, in order to man the markedly increased flotilla (Treasure 2013; Glozier 2008; Troost 2005). The pre-text for the large-scale military preparations was a campaign in Algerian corsairs in order to draw attention away from France and England (Israel 1991:471). Political arrangements were carried out to ensure that the Louis XIV is occupied in war elsewhere on the continent, which mitigated the risk of attack over the Low Countries, while Willem van Oranje, the Dutch Stadtholder, was invading England (Jardine 2008).[63]

The preparations for the invasion were carried out in the greatest secrecy that only a few trusted advisors of Willem, including his bankers (crediting his war machine) were aware of the intended target destination. Most notably, it was 'Baron Francisco Lopes Suasso who was involved in various aspects of the financing of the Dutch invasion armada …' (Israel 2002: 440). The Sephardi banker reportedly lent two million guilder to William III on the security "if you [Prince of Orange] succeed, I know that you will repay me; if not, then I will acquiesce in defeat" (Swetschinsky and Schoenduve 1988: 53 in Troost 2005: 195) or as history expert Lisa Jardine (2008) has described this loan – on no security.[64]

However, the Prince's intentions were revealed with the publication of the Declaration of Rights, distributed on a large scale by printers such as Awnsham Churchill, which flooded the British Isles as well as the Continent (Jardine 2008; Israel 2002).[65] The Declaration contained the justification for Willem's arrival, emphasising the defence of Protestantism.

Once on British soil, landing in the eyesight of Richard Duke, a trusted ally to the Whig visionary John Locke (Goldie 1992; Milton 2000), Willem marched towards Westminster with

[62] According to the Dutch-based International Institute of Social History historical purchasing power calculator (2016) the purchasing power of Fl. 7 million is equivalent to € 80 718 112 (converting to 2015 values). As Kiesel and Noth (2016) note the monetary system is intimately related with religion (i.e. guilder, credit).
[63] Willem was appointed Stadtholder after a coup d'état in the Low Countries, where the public had torn to pieces one of the greatest Dutch statesmen and grand pensionary Johan De Witt. He was a strenuous adherent of the republican or oligarchical States party in opposition to the princes of the House of Orange, who represented the federal principle and had the support of the masses of the people.
[64] Francisco Lopes Suasso was a son of Antonio Lopes Suasso. His father, like many other of his creed, at the time were excelling at "appear[ing] both as a Catholic and a Jew in the appropriate context" (Israel, 2002:258).
[65] Awnsham Churchill was a cousin to the army leaders John and George Churchill.

his vast army.[66] Upon the news, James II rushed towards Salisbury plain to intercept his son-in-law's invasion.[67] However, just prior to a decisive battle, the English king's most trusted advisors, John Churchill, the future Duke of Marlborough, and Prince George unexpectedly joined the invader's forces. The deputy commander of Willem's army, Marshal Schomberg, opined later that this was the first instance where 'Lieutenant General he had ever heard [of] that had deserted from his colors' (Glozier 2008: 112).

Under these treacherous circumstances, the English King decided to flee back to the safety of Whitehall, where he found that his own daughter had escaped. Princess Anne had managed to take a flight with the assistance of George London, a gardener to Bishop Compton. The latter was one of the signatories to the invitation letter sent to Willem van Oranje earlier in the year. In fear for his life, the last Stuart king made his first attempt to escape the country, dressed as a commoner. Unfortunately, his disguise was exposed in Faversham, just before boarding a boat to France. He was taken back to Westminster, only a day before the arrival of his son-in-law in the capital (Dillon 2007; Carruthers 1996).

The Dutch Stadtholder was highly dissatisfied with the soiling of his plans. With audacity, he ordered the disposal of the English king from the capital. The Dutch invader 'send[ing] his own guards at eleven at night to take possession of the Posts at Whitehall without advertising me [King James II] in the least manner' (King James II 1688). Undoubtedly, recalling the fate of his late father Charles I in Dutch hands (Troost 2005: 205), he obeyed the orders and left for Rochester under the watchful escort of Willem's Lions of Judah (Dillon 2007; Glozier 2008).[68] His plight out of the country was crucial for Willem so that the invader later can aver that the throne had been vacated, thus abrogating the social contract between the king and his people, as outlined in John Locke's (1690) seminal political treatise.

Concurrently, Sir George Treby, the speaker of the Corporation of London, welcomed the Dutch Prince. He assured Willem that James II and his ministerial advisers were 'our true invaders, that brake the sacred fences of our laws (and which was worst) the very constitution

[66] The choice of a landing spot for Willem's numerous invasion force was undoubtedly influenced by Locke's wide social network in this part of the country – "The significance of the Row for Locke in the period before the revolution is worth emphasising, for it is only partly visible in modern accounts" (Goldie, 1992, p. 560)

[67] The invader Willem van Oranje was married to King James II's daughter Princess Mary.

[68] Charles I was prosecuted for treason by the Dutch magistrate Isaac Dorislaus based on ancient Roman law as English law, at the time, did not provide for a trial of a monarch. Charles I was sentenced to death. At the time, The Bishop of Rochester, John Warner (1648), commented on the death of the royal: "The Develish Conspiracy, hellish treason, heathenish condemnation, and damnable murder, committed and executed by the Jews against our Anointed of the Lord, Christ their King".

of our Legislature' (Treby 1688).[69] The speaker referred to the corporation charter, which was revoked by Charles II and not reinstated by James II. The restoration of the City's ancient rights and privileges was, however, one of the main manifesto goals of Willem, as his Declaration disclosed. As a crowned co-monarch, he was quick to implement the promise to reinstate the City charter, while skilfully omitting listing all the rights and privileges of the said corporation ('An Act for Reversing the Judgment in a Quo Warranto against the City of London and for Restoreing the City of London to its antient Rights and Privileges', William and Mary 1689).

The Founding of 'Inclusive' Political Institutions

The conditions under which the 1689 Convention reached the vital decision about the founding of democratic, pluralistic political institutions through the Settlement, which granted supreme power to Parliament, are also of vast importance.

The distinguished professor Dale Hoak (1996) of the William and Mary University informs us that 'the convention sat quite literally under the guns of a foreign army of occupation – William's Dutch guards' which 'doubtless[ly] influenced the framing of the resolution'. The Dutchman threatened to spark a new civil war by leaving the country at once with his troops unless he was to be installed as a monarch. Parliamentarians' choice was thus profoundly restricted. This is a contrasting picture of the institutional arrangements to the one drawn by North and Weingast, Acemoglu and Robinson and other like-minded researchers.

Contrary to their thesis, the record shows that the institutional framework in post-Revolution England was erected in anything but democratic and pluralistic fashion. Willem's ultimate aim, it can be deduced by his actions and demands (which had also taken by surprise even his own cohort) was to become king of England, legitimised by Parliament, through the applied military might and pressure upon local decision-makers with the later aim to drag the country in a costly continental war against Catholic France (Dillon 2007; Pincus 2010; Pincus and Robinson, 2011). In other words, the protection of Protestantism was a useful political device to justify the arrival with an impressive naval armada and innumerous army, which was later instru-

[69] Social hierarchy appears as central to the Freemen of the City. In their worldly view, the Lord Mayor is to have a higher social rank than a prince. Upon a visit of then still Prince of Orange, Charles II commanded his nephew, and future husband to his niece Mary, to be seated higher than the Lord Mayor. However, the City refused to oblige, and the dinner was cancelled (Jardine, 2008: 350-351).

mental in suppressing any potential outburst against the proposed shift in the institutional equilibrium.

Not only a limited number of options, all of which envisaged Willem as a ruler under one form or another, were presented to Parliament, but also the arguments to replace the legitimate English king were developed *prior* to the Settlement by the prominent Enlightenment thinker and Whig conspirator Locke (Laslett 1967). This demonstrates the premeditation of actions and clear vision of the allegedly *faceless winners* about the desired institutional equilibrium and the remodelling of field characteristics in order to achieve their pre-set vision. Namely, the subversion of the old institutional order, a monarchy with tax-backed monetary system (the tally stick system), replacing it with purportedly democratic, pluralistic political institutions accumulating vast national debt, incurred mostly due to war expenditure under a national defence ploy and the protection of the Protestant religion. The overall result was a highly redistributive mechanism:

> In the case of taxes laid on for paying interest, instead of capital being contributed, which is spent and lost, a portion of the revenue or income of one set of persons is taken, and paid over to another set, in the shape of dividends. There is, therefore, no positive diminution of the national wealth occasioned by this operation; and the paying of 28,000,000l. a year in dividends is … *a transfer of so much money from the pockets of one part of the public into the pockets of another part of it.*
>
> Sir Henry Parnell, 1832 (italics added)

Origins of 'The Two Treatises of Government'

The new institutional order, there is no doubt, was heavily influenced by John Locke's political masterpiece 'The Two Treatises of Government', which was developed during his exile in the Low Countries. As a fluent Hebrew speaker (Chappel 1994), similar to other English jurists of his time, Locke amassed ideas for his magnum opus from a wonderful, if transitory collaboration between Sephardi rabbis and Calvinist scholars (Salzberger 2006).[70]

> Seventeenth-century Amsterdam was the most fertile soil for social and scholarly interaction between Jews, primarily exiles from Spain well versed in classical thought, and Christian scholars, primarily Calvinists with a Hebraic fire burning in their bones.

[70] At the time, Amsterdam was (and it is still) often referred to as Mokum or 'safe place', 'safe haven' and the second free city after Jerusalem.

> In the Dutch golden age, the "Hebrew republic" took shape as an ideal type for the modern European legal and political system.
>
> Salzberger, 2006:100

The prominent Enlightenment thinker Locke seems to have excelled at adopting ideas from such interactions with Hebraic scholars as Leiter (2008) notes:

> John Locke's (1632-1704) most important political writing, the Two Treatises of Government (1689), is unique because it circumvents the New Testament and instead relies almost exclusively on the Hebrew Bible in order to establish his political theory.

Talmudic thought, it is thus fair to gauge, was deeply instilled in the modern-day institutional order, which was framed by Locke, and embraced in post-Revolution England. However, a Hebrew approach to study polity was not a new practice in the Calvinist countries (Sigonio 1582 in Bartolucci, 2010: xi-xvi). In England and other Protestant countries, the application of the Hebrew Bible to 'modern notions of liberty was a project of second- and third-generation Protestants, and particularly of Calvinists' (Salzberger 2006: 92). Unsurprisingly, Locke's political writings found fertile ground in the City of London, where an enterprising second- and third-generation Calvinist community was located. Huguenot expert Robin Gwynn (1998, 2001) discloses that the most active members of this religious cabal include the Houblons, the Du Canes (Du Quesne or Duquesne), Denew (De Neus), the Delmes, the Lethuilliers amongst others. All these families were prominent members of the radical anti-monarchy and equally pro-republican French Church of Threadneedle Street.

The Bank of England: A Guide to Its Establishment

After the Settlement, the newly installed ruler demanded that English customs duties should be paid to him for life in order to wage a war against the French king. Parliament, as we know from North and Weingast's analysis, did not abide by keeping the king's purse as a tool to control him and avoid reneging of debt (opposite to Cox 2017). Yet, the very same year, as the Dutch Ambassador Van Citters reported, 'the City … will very strongly insist upon a war with France' (Goldie 1992: 24). The most expensive war up to this point in history was soon set in motion, triggering a four-fold increase in national expenditure and thus guaranteeing a fiscal deficit. This presented suitable field characteristics for the clique of City merchants who in the first instance lobbied for the military conflict, to offer a solution to the arising problem – to erect a bank. The utilized methodology of early modern capitalist undertakers to establish a

credit institution fits well the three-step institutional entrepreneurship model, advanced by Battilana et al. (2009). The three steps are namely *diagnostic*, *prognostic* and *motivational framing*.

The discussions to establish a bank were not new. After the end of the Second Anglo-Dutch War (1665 – 1667), Child (1668) pointed out that the nation needed an institution similar to the great Bank of Amsterdam for the reason that the Dutch are at an advantage for their cheap money and credit facilities provided by the aforementioned bank (*diagnostic framing*).[71] Yarranton (1677:7) argued that a public bank would be greatly beneficial, allowing the 'great Sinews of Trade' into England and 'the Credit thereof making Paper go in Trade equal with Ready Money yea better in many parts of the World than Money' (*prognostic framing*).[72] The establishment of such an institution, it was argued, would act as a catalyst to the economy (*motivational framing*). The Whig Michael Godfrey, later the first Deputy Governor, was among the fiercest promoters of the scheme. At the time, he was one of the most influential merchants in the City. In his speeches, he persuaded English landowners, the Tories, that the Bank would be able to lower interest rates and raise the value of their land.

Concerns were expressed, too. The landowners, as a whole, resisted the creation of a public bank (though as it will be discussed this was a successful non-market strategy to sell a private bank underwriting public debt as a public bank). Their fears were grounded on the fact that the Bank will not be beneficial to society and will lead straight to socialism. Gilbert Barnet noted the fear of contemporaries:

> Some thought a bank would grow to be a monopoly, all the money in England would come into their hands, and they would in a few years become the masters of the stock and wealth of the nation. [73]

Gilbert Burnet, *History of His Own Times*, 1724

William Lowndes, later a Treasury secretary, initially objected the scheme. He wrote a discourse consisting of six points against the erection of the Bank, including that it '[will] carry out the specie of money out of the Kingdom', alluding towards the conventional depiction of the economics of banking. However, should this scenario materialise, he wrote, 'there will be

[71] Quinn and Roberds (2014) show that the Wisselbank was allowed to leverage the money supply as early as the 1670s though issuance of bill of exchange. The timing of the transformation of the Bank of Amsterdam from a bank of deposit to a bank of issue is also important as it approximately coincides with the regime change in the Low Countries.
[72] Israel (2002) discloses that Jews engineered bills of exchange at the time of the great Italian city-states.
[73] It is interesting to note that there seems to be some truth in this statement taking into account that the banking system as a whole plays the critical role of accountants in society.

no necessity for such money [hard currency] in receipts and payments, but they may be supplied by the fictitious cash' (Banister, 1858:68-77). Thus, he recognised that the money system is a credit-based rather than linked with tangible assets (i.e. gold, silver) following the Chartalist theorem (Innes 1913; Keynes 1930; Ingham 2004; Wray 2014; Werner 2003, 2005, 2014). This finding can also explain why Lowndes, despite his alleged objection to the erection of the Bank of England, was later one of the initial larger investors.

The main fear for the erection of a bank was, however, a possible abuse of power by the king, who could obtain funds directly from the vaults, as did Charles II from the Tower of London in 1672. Under a monarchy, the ruler will have an escape route from the financial control of the House of Commons, which was a detrimental factor for the erection of banks, as outlined in North and Weingast's analysis. A transition to a new institutional order – a Parliament-orientated republic, as desired by the radicals at the French Church of Threadneedle Street in the mid-17th century - it can be reasoned was a prerequisite for the founding of a bank firm.[74]

Once the critical shift of the political equilibrium was secured with the win of the Battle of Boyne in 1691, the framers of the banking proposition, which later came to be known as the Bank of England, further strengthened their argument for the need of a public bank due to deficiency of parliamentary funds for maintaining the most expensive war up to this point of history against France. It was only in 1694 when the Bank of England was established despite two earlier propositions coming from a small City-based circle, being rejected in 1691 and 1692. Prior to its establishment, the image of the new institution was carefully managed by advertising it widely as a 'publick bancke', while in reality it was a privately held, profit-maximizing firm for more than 250 years. The promoters of the scheme adopted a method whereby in their promotional writings or speeches any reference to a banking corporation or its note issuance power were omitted, even though this was one of the first issues discussed by the first Court of Directors (Bank of England Director Court Minutebook 1694).

This nonmarket strategy was implemented in order to advance the pre-set business plans undetected by elite administrative officials, in particular policy facilitators with opposing ideology (Lux et al. 2011), and the wider public in general or at least to soften the perception of the entity and divert attention from it. There are indications that nonmarket strategies were adopted

[74] This argument can also analysed as a variant to the current debate about central bank independence, where governments are strictly forbidden to interfere with the banking business in order to mitigate risks associated with money printing and resulting inflation. A peculiar argument since commercial banks print electronic money when underwriting national debt, expanding the money base and profiteering from this privatised public good.

in the engagement with policy facilitators. This included a technique to pass the Bank of England Act as an inconspicuous subsection of new legislation that was in itself inconspicuous – covering particular taxes on particular goods. The bill was attached to a legal change concerning the tonnage tax - an ad valorem tax in international trade. Hence what is often referred to as the 'Bank Act of 1694' was at the time in fact the 'Tontine Act of 1694' – although even this is a modern-day drastic abbreviation is hiding the extent of the diversionary strategy deployed at the time. The full official name of the Act that created the Bank of England was:

> An Act for granting to their Majesties several Rates and Duties upon Tunnage of Ships and Vessels, and upon Beer, Ale, and other Liquors, for securing certain Recompences and Advantages in the said Act mentioned, to such Persons as shall voluntarily advance the Sum of Fifteen hundred thousand Pounds towards carrying on the War against France.

Full title of the original 'Bank of England Act, 1694'

This camouflaging of the most momentous aspect of this proposed legislation must be considered an important contextual detail in the erection of a fundamental capitalist institution.

Despite stiff opposition and the fact that no goldsmith banker subscribed for the Bank shares, circa 1,250 subscribers provided the colossal amount of £1,200,000 in short twelve days.[75] To put these numbers in modern perspective, the £10,000 investment ceiling allowed equates to £1.25m current money. Through a historical prism, two-thirds of the English workforce or about 4m workers were paid nearly £9m in total for the whole 1700 (Apostodoles et al. 2008), whilst about 400 people provided 75% of the Bank's initial capital. To put the wealth of this small clique in the wider historical context, as Piketty (2014: 105-106) discloses:

> In Great Britain, the average income was on the order of 30 pounds a year in the early 1800s, when Jane Austen wrote her novels. The same average income could have been observed in 1720 or 1770…Indeed, a half century later, in the 1850s, the average income was barely 40-50 pounds a year… By the turn of the twentieth century, the average income in Great Britain had risen to 80-90 pounds a year.

Thomas Piketty, 2014: 105-106

[75] Winter (2018) studying the bank at Woolchurch Market operating in London throughout the 1670s with a balance sheet of around £100,000 classifies the merchant (investment) bank as gigantic at the time. In comparison to the Bank's initial balance sheet size, the Woolchurch bank, which failed in the late 1670s, seems as a modest sized bank.

On the first day of opening the subscription book contributions amounted in excess of £300,000. In just four days, the sum of £900,000 was subscribed. The remainder was secured over the next few days. The swiftness in raising the Bank's capital in a time of much worse infrastructure, communication and information channels indicates that the official narrative surrounding its founding may have been well-honed, just as Willem's Declaration of Rights (Jardine 2008). This leads us to ask the question: Who are then these shareholders in this key capitalist enterprise?

Identifying North and Weingast's *Faceless Winners*

North and Weingast have discounted the institutional entrepreneurs involved in the *coup d'état* as '*faceless winners*', largely due to their wholesale negligence of this critical political event. In contrast, we assert that the careful study of the senior management of the Bank of England, as major stakeholders in the new institutional order, will reveal the identity of these unnamed benefactors, particularly the ineffible returns generated by the new wealth-concentrating firm. In this section, we make an initial attempt to lay the foundations for this research.

The active Calvinist community at the French Church at Threadneedle Street, headed by the father of the three Houblon brothers and later Bank of England directors, Jacques Houblon, actively propagated a regime change and structural transformation of the country to a republic, enhanced with a pro-Amsterdam trade policy.[76] Throughout Jacques' stewardship of the French Church, as Crouzet (1991: 235–236) remarks, radical sermons were preached to the congergation, which called for the execution of Charles I Stuart as early as November 1645. Despite being recent immigrants, the Houblon brothers were Protestant radicals as they followed the will of their father to resist popery with all means available: "Forsake all your goods, yea your very lives, rather than comply with popery" (Houblon 1907: 347).[77]

It is probably not coincidental that the Houblons and their radical City peers (Du Quesnes, Lethuillier, etc.) ascended to a merchant prince status once the transition to a pro-republican political model was completed, with the selection of the Stadtholder Willem van Oranje as a co-monarch, and took key governance roles at the Bank of England, as a payoff for their active

[76] The French Church at Threadneedle Street was also the most important amongst the churches established by Huguenot refugees in England. All Calvinist churches were obliged to conform to the Church of England with the exception of the Threadneedle church until post-Revolution England (McKee, Huguenot Conference 2015).
[77] Some contemporary researchers may even qualify this attitude as equivalent to terrorism.

involvement in the recalibration of the *ancien régime*.[78] Sir John Houblon, the first Governor and a major shareholder, along with another director, Christopher Lethuillier, were knighted for their active involvement in the political equilibrium shift upon the first anniversary of Willem van Oranje's arrival in Westminster.

> In the important events following the Revolution which he and his fellow-citizens had done so much to bring about, he was to bear no inconsiderable part; for he was the chief and determined advocate of the financial support given by the Bank of England to the great game played with consummate statesmanship by William… Without the money provided by the Bank at great cost and sacrifice, the King's success in the war would have been impossible. It may thus be claimed for John Houblon that he was prominently concerned in the first historical episode in which the power of wealth took place in the politics of this country…
>
> Lady Houblon, 1907 vol. 1: 229

Other actors, following Battilana et al.'s (2009) institutional entrepreneurship theory, which contributed to the political regime change with a diverse range of political resources such as money, social capital and information (Lux et al. 2011) are also to be found as major shareholders and key decision-makers at the newly-established credit firm - Sir Gilbert Heathcote, James Bateman, Theodore Janssen, Sir William Scawen, Sir Thomas Scawen, Sir John Trenchard, Michael Godfrey.

The Bank's charter included a clause that a qualifying stock worth £2,000 must be held in order to be eligible for a directorship. As the Bank paid profits proportionately to shareholdings, their substantial investments allowed them to profit immensely once it had started commercial operations with probably the first bankers' bonuses paid in as early as 1695 (Bank of England Court Minutebook 1695).

Some of the benefits generated by the new enterprise were shared with lesser actors, which had key contribution to the recalibration of the political equilibrium in 1688. As mentioned earlier, a gardener, George London, who worked for one of the signatories, Bishop Compton, of the invitation letter to Willem van Oranje, assisted with the escape of Princess Anne. A few years later, the same agent along with his wife, Rebecca, invested the impressive amount of £1,000

[78] For example, Sir John Houblon and Michael Godfrey, whose families had previously lobbied for Amsterdam interests.

in Bank of England shares. Our research, so far, has showed that no other gardener was allowed to subscribe in the bedrock of the new institutional order. Thus, it can be speculated that the investment on behalf of the gardener may be a non-market strategy to settle accounts with Mr London for his key contribution in the midst of the *coup d'état*. The reader is invited to study Appendix 3 for an extensive survey of agents (see Hayton 2002a, 2002b; Gauci 2002; Handley 2002; Hanham 2002; Watson 2002; Watson and Hanham 2002; Cruickshanks 1983, 2002a, 2002b) contributing to the political regime change, who subsequently benefitted immensely under the new institutional regime - some through rise in peerage, others through lucrative salaried state positions and third by receiving commissions, for example, on military contracts.

The expanding and improving fiscal apparatus, which was developed in post-Revolution England (Brewer 1988; O'Brien 2014), allowed the government to service the newly created national debt. Soon, a standard practice developed to earmark new government loans to levying new taxes upon the general public (Dickson 1967; Brewer 1988). From a banker's view point, the increased cash flow into government coffers meant that new loans could be issued. Unsurprisingly, Pincus and Robinson (2011) qualified the new institutional order as excelling at piling 'debts upon debts' and 'taxes upon taxes'. The desire to underwrite new government debt is hardly surprising when we take into account the newly-introduced concept of capital ratios, where claims on central government carry zero per cent risk weight. This indirectly recognises that governments are probably the only organisations, which can unilaterally raise its spending capacity by either boosting income through increasing the membership fee for its employees (i.e. tax on citizens) or scale down expenditure (i.e. austerity).[79] An institutional peculiarity, which seems has long been known to the Bank's senior management. The firm's hierarchal corporate governance with clear succession planning policy and secured funding against public taxation allowed the credit institution to become not only one of the longest-standing firms in history but also to protect the perpetual interests of its shareholders.

[79] The Basel regulations are unlikely to succeed in preventing future banking crises since this specific class of economic institutions creates capital out of thin air. The Serious Fraud Office (SFO, 2018) recently commenced an investigation into how Barclays was recapitalised: the charges relate to financial assistance Barclays Bank PLC gave to Qatar Holding LLC between 1 October and 30 November 2008, which was in the form of a US$3 billion loan for the purpose of directly or indirectly acquiring shares in Barclays Plc (for more details see Werner, 2015).

Dep. Gov	Tenure	Governors of BoE	Tenure
Godfrey, Michael	1694-1695	*Houblon, John*	1694-1697
Scawen, William	1695-1697	Scawen, William	1697-1699
Tench, Nathaniel	1697-1699	Tench, Nathaniel	1699-1701
Ward, John	1699-1701	Ward, John	1701-1703
Houblon, Abraham	1701-1703	*Houblon, Abraham*	1703-1705
Bateman, James	1703-1705	*Bateman, James*	1705-1707
Eyles, Francis	1705-1707	Eyles, Francis	1707-1709
Bouverie, William	1707-1709	*Bouverie, William*	1709-1711

Table 3: Succession Policy at the Bank of England

The Bank was originally set up as a temporary institution to finance what was the most expensive war up to this point in human history, but later it managed to extend its charter on multiple occasions due to the deficiency of parliamentary funds. Broz and Grossman's (2004) seminal research shows that in exchange for granting its credit to Parliament to finance these deficits, the Bank had its charter extended until limits on license were removed entirely, demonstrating the power of the short-side position in monetary matters (in line with Werner 2005, and contrary to Goodhart 2017).

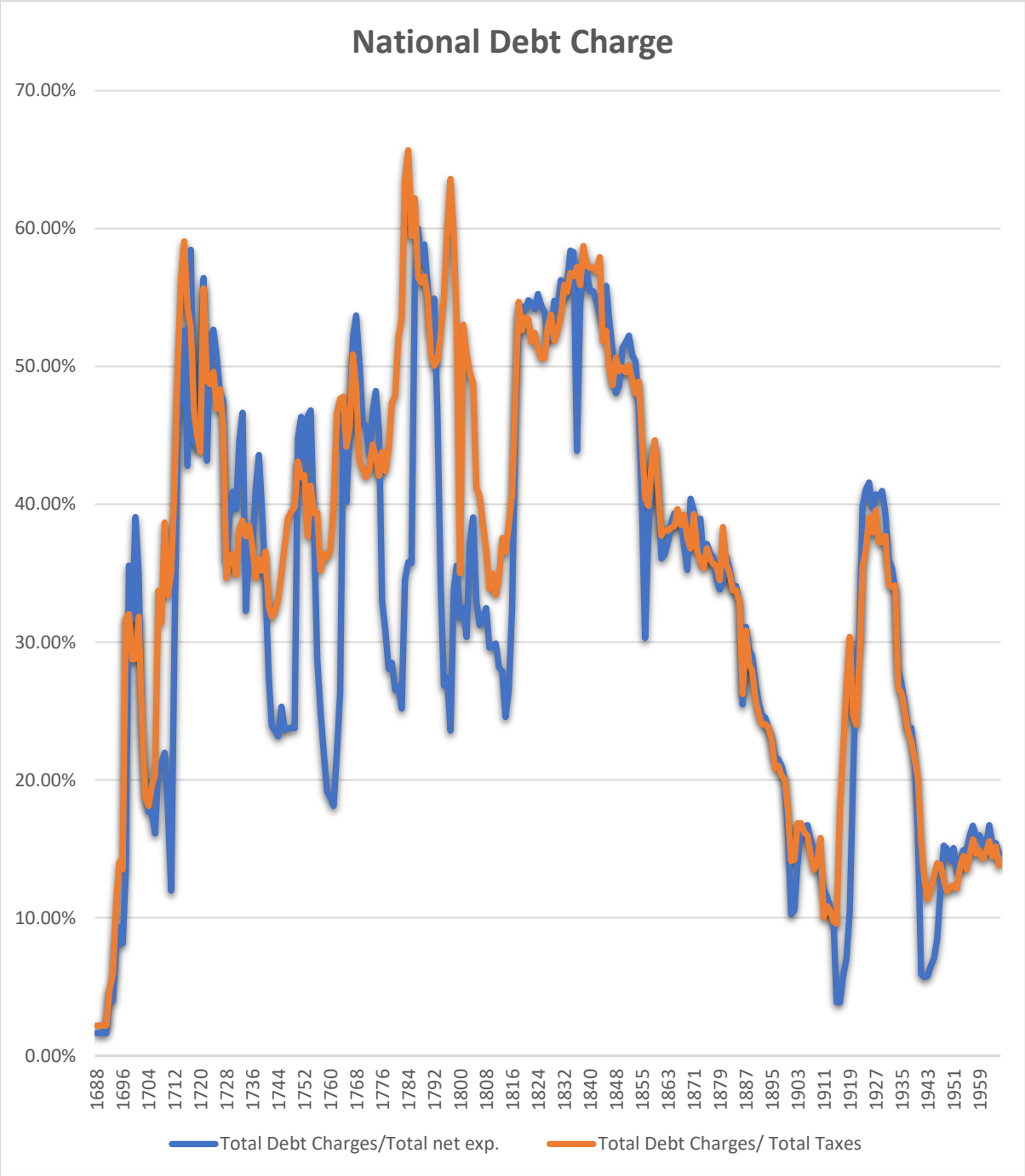
> We find renegotiation of the charter was initiated by Parliament when the Crown's budgetary circumstances, shaped by unforeseen military expenditures, required additional funds and when the monopoly value of the Banks charter rose.
>
> Broz and Grossman 2004: 48

Building on their research, it is reasonable to expect that the Bank – itself founded by and for war – had an interest in the British involvement in as many wars as possible in order to maximise the return to its shareholders (Coase 1937). Viscount Bolingbroke revealed a much lighter tax burden under the previous institutional order, a direct result of the lack of wars, national debt and usury, while the compounding interest on the newly created national debt was drawing more and more resources from all social classes and redirecting these to the newly elevated merchant princes in the City.

> When King William entered, immediately after the revolution on this great scene of action; the unencumbered condition of this nation … was such that he might have been supported in it… by a land-tax, by the excise on malt, and by some additional subsidies, all of which would have been raised within the year. A scheme of this kind was prepared and offered … but it was rejected for a reason that appeared plausible in political refinement, and has proved most pernicious in its consequences. It was said that a new

government, established against the ancient principles and actual engagements of many, could not be so effectually secured any way, as it would be if the private fortunes of great numbers were made to depend on the preservation of it; and that this could not be done unless they were induced to lend their money to the public, and to accept securities under the present establishment.

Viscount Bolingbroke, 1749: 443



(Mitchell, 1988)

Figure 6: National Debt Charge (UK 1688 - 1965)

Policy Recommendation and Conclusion

This short survey contributes to several layers of business and economic history. Overall, this work invalidates North and Weingast's (1989) pioneering economic history enquiry, which is inspiring the advisory activities of modern supranational monetary institutions, revealing it as a mythological fairytale. Their story, as they themselves qualify their research, not only selectively reflects the historical record to discredit the previous order, but exhibits a wholesome disregard of the true business practice of the post-Revolution monetary institution they model, the Bank of England.

In section 2, it was found that the Bank of England did not intermediate existing funds as North and Weingast (1989: 825) forcefully advocated but instead the newly-founded firm engaged in money printing and the allocation of these (national) debt instruments for warfare since its founding. This is in line with the opinion of a former Bank of England chief economist and the monetary economics doyen that the roots of money can be identified in warfare (Goodhart 1988; King 2018). On the other hand, it can even be speculated that the remarkable rise of the British fiscal-military state (Brewer 1988; O'Brien 2014) was largely due to the lending conditions imposed by the Bank to the democratically elected political actors in order to secure warfare funding. The established system of private money and public debt in post-Revolution England laid the foundations of a rent-extracting institutional system (a variant of Knapp 1905; Tcherneva 2016; Wray 2014; contrary to Acemoglu and Robinson 2012; North and Weingast 1989; Ferguson 2008a, 2008b, 2012). This invisible rent transfer from the many to the few through the monetary and fiscal channels friction resides at the centre of the current inequality debate, which shall be examined further in the next chapter (Stiglitz 2012, 2015; Piketty 2014; Atkinson 2015).

Section 3 shows from a historical perspective that there is neither financial intermediation, nor international flow of money when banks send/remit money abroad but merely an exchange of promises to pay (IOUs) occurs at an international institutional level. Taking into account the findings in section 2, modern-day governments are not well advised to 'borrow' nationally or internationally for economic development, as neoclassical economics prescribes, exposing taxpayers to the volatility of bond markets and on some occasions vast discounts, accompanied by heavy interest payments and foreign exchange rate risk in order to raise finance 'capital' (see Stiglitz 2012, 2016; Werner 2014a, 2014b, 2016). This policy advice implicitly means that there is no need for national governments to allow large multinationals to discharge banking

operations on their territories due to lack of local savings. Promises to pay (IOUs) for productive purposes are and may be issued at a local level, invested in the growth of local enterprises, resulting in a positive economic stimulus, which generates revenue for the local fiscal treasuries (Werner 2005).[80] Therefore, developing countries are ill-advised if they follow the Washington consensus advice and mimic their institutional frameworks on post-Revolution England. The Industrial Revolution occurred despite this institutional order (Coffman, Leonard and Neal 2013; Sussman and Yafeh 2006; Cox 2015, 2016, 2017). East Asian countries (e.g. Japan until the 1980s and China, Taiwan, Korea currently) that ignored the Washington consensus advice and funded their growth through domestic credit creation for productive investments achieved spectacular growth (Werner 2003; List 1841; Osman, 2016).

The following section, by in-depth study of important contextual details in the readjustment of the political and institutional equilibrium in late 17th century England, remedies significant and relevant gaps in the narrative constructed by the North and Weingast. This section reveals how the visionaries behind the Bank utilized economic agents of various social classes and the political institutions to achieve the envisaged institutional equilibrium shift to their pre-set preference. This institutional transplantation was modelled after the then ideal contemporary paradigm in the United Provinces (Leiter 2008; Salzberger 2006). The embraced inductive research approach has also afforded us to identify a string of the *faceless* winners of the Revolution along with their key contributions to the institutional order shift.

Overall, it has been found that early modern credit institutions have not been intermediating existing funds but instead the creation of new deposits of account at the stroke of a pen and hence money has taken place. The foundations of the research into the subservience of political institutions to the credit institutions in a stark contrast to the idealised neoclassical pluralistic, democratic hypothesis advanced by North and Weingast (1989) were laid. While this will be a subject of a more thorough historical analysis in the next chapter, it can still be evidenced with a few telling examples of the competitive advantages gained by the Bank over its long existence - starting with its very privilege to create and allocate money in the economy through the protection of its activities in a 65-mile radius around London to the tax-free status of profits paid out to shareholders. As a result, 'one could say, without committing a major sin', as

[80] Werner (2005) and Josh Ryan-Collins et al. (2013) estimate that 97% of the contemporary money supply is created in the process of lending by commercial banks. This statement holds true through a historical prism, too. Father Fahey (1944) estimated that over 90% of the British money supply back then is secured through the lending conducted by the commercial banking sector.

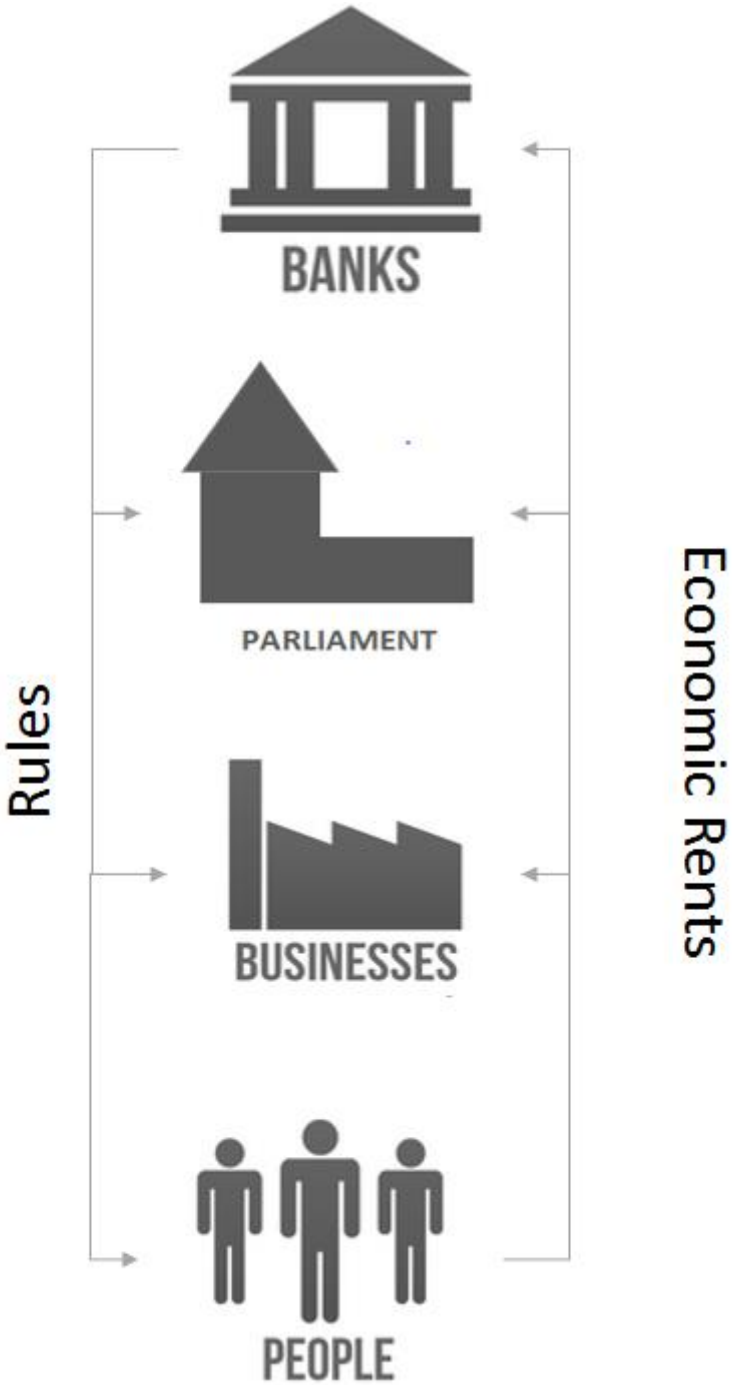
Schumpeter (1912) discerned, that the banking institutions are 'the pretended servants, but in many respects the real masters of every administration' (Bolingbroke 1749). [81]

In the contemporary world, since the GFC the Bank has been expanding its balance sheet at unprecedented levels, while the supply of money by the private banks has been shrinking (Goodhart, 2017). This invisible process to the naked eye enhances the former's claim to monopolise the money issuance in England (Benes and Kumhof 2015; Jackson and Dyson 2013; Wolf 2014). In addition, the Bank may violate the celebrated protection of private property rights in a more pellucid fashion than through its rent-extracting method during its private ownership without the need to resort to legal authorisation, signifying its superiority in the prevailing institution framework:

> The Special Resolution Regime is an 'administrative' rather than 'judicial' process; the Bank of England does not need court approval to exercise its transfer powers and can do so once the SRR has been triggered simply by issuing a written transfer document (the 'transfer instrument').
>
> Davies and Dobler, Bank of England Research, 2011: 215

After the Brexit stimulus and to enhance its ill-preparedness (Djankov 2017) for its divorce with the communist-like monetary centralisation of the European Union (sold as federal-isation to and by (ill-informed) eurocrats; see Stiglitz 2016a; Kovatchev 2016), the great re-birth of the British nation as an independent state from pecuniary interests may be enhanced through the disbanding of the Bank and the creation of a system of locally-accountable, publicly-owned banks (similar to the German community banking sector) supporting purely the real economy and local entrepreneurship as outlined in the first quantity theory of disaggregated credit by Werner (1997).

[81] As of 18/10/2016, 2:00pm BST the UK national debt stood at £1,765,075,720,000 and it grew at £5,170 per second. By 16/01/2018, 9:25pm the UK national debt stands at £1,968,473,500,000. This is an absolute increase of £203,397,780,000 or 11.52% in approximately 15 months.



Picture 16: The Governing Institutional Order

Abstract

In contrast to present-day scholars who measure income and wealth disparity, this inductive research aims to identify the roots of this societal curse through the careful study of the historical record since the governing capitalist system was first established, with the Bank of England at its core. The rent-extracting nature of the Anglo-American capitalist system is empirically confirmed on a 250-year data set on the U. K. With qualitative and quantitative results that show credit institutions at its centre, by defining societal rules on one hand and drawing resources from all tax-paying layers of society on the other, a two-fold solution is proposed to remedy the inequality curse without the need to recourse to a large-scale public sacrifice.

Introduction

Over the last three centuries, a trend of constantly increasing fiscal apparatus drawing a larger share of taxpayers' resources channeled into national treasuries is observable (Brewer 1988; O'Brien 2014; Schumpeter 1918). Since 2010, higher earners in the UK have had to stomach an expensive anomaly in the tax regime — the 60 per cent rate (Palin 2016). Despite this hike in taxation, a report by the Institute for Economic Affairs draws a grim picture of the future fiscal position of Britain. This study warns about further petrifying tax hikes, which need to be initiated in order to meet the exponentially increasing public liabilities due to aging population. These hikes will adversely affect investment and economic growth, which will in turn reduce tax income receipts. Adam and Roantree (2015) calculate that in the present moment about 60 per cent of Treasury revenue derives from VAT, income tax and national insurance.

> There is a tendency for [UK] elections to be followed by substantial tax increases: every general election since 1992 has been followed within 12 calendar months by an announcement of more than £5 billion (in 2015-2016 terms) of net tax rises.
>
> Adam and Roantree, Institute for Fiscal Studies, 2015: 228

Austerity measures, which are already set in motion, must be scaled up to amply support these unrealistic tax hikes with aim to balance the public budget. A pension and healthcare sector reforms are long overdue, according to the IFS (2015) report, since the compounding of interest on national debt may result in its spiraling out and making it unsustainable.[82] Therefore, social

[82] Margrit Kennedy (1990) explains brilliantly the power of compound interest. Micheal Hudson's (2014) 'Killing the Host' also provides an overview of the extraordinary power of this simple, but powerful mathematical trickery.

security nets, it must be anticipated, will be heavily cut in order to service binding national debt contracts.

That is to say, social reforms must increase the retirement age for both sexes to 70, which has already been incorporated in European legislative texts in order to allow governments to eke out every last drop of productivity from labour markets, whilst lessening the pension burden. These labour reforms are likely to hit women the hardest, who had been urged to join the labor force in order to support the decent living standard of their families, due to the already swollen taxation drain from household finances, but still continue to discharge a second shift with home chores and childcare (Wolff 2012; Nelson 1996; The Modern Families Index 2017).[83]

> Although women are still more likely than men are to work reduced hours, it appears that increasingly mothers are working more. This may be due to the growing importance of women's incomes within a household, against a backdrop of austerity and low wage growth. Simply put, families may not be able to get by without two full time incomes.
>
> Sarah Jackson, The Modern Family Index, 2017: 12

On the other hand, structural reformers recommend the privatization of pension schemes since competitive private markets by definition produce the best societal outcome (opposite to Atkinson 2015; Piketty 2014; Stiglitz 2012, 2017).[84] This denationalization process will remove the pension liability from the public book delegating this vital social security to individuals, reliant on their thriftiness. A proposal of a dubious character, once we account that ordinary taxpayers are often forced to take on extra jobs to boost their disposable income. Otherwise, regular taxpayers enter the grey economy in order to avoid state-imposed income taxes, which indirectly produces the same result, but leaves them with the 'safety net' of a paltry state pension. Thus, such economic agents effectively concede to work until death.

[83] The extended retirement age is also likely to reduce birth rates, too. The major reason being that young couples, squeezed for financial resources, usually rely on grandparents to support the childcare. The fact that the latter are working full-time jobs until the age of 70 makes them unlikely candidates to provide childcare support for free. Within this institutional framework, young European couples with already squeezed financial resources will most likely choose not to reproduce. This seemingly personal choice, but in reality a by-product of the contemporary capitalist framework, will further worsen the 'unsolvable' European demographic crisis.

[84] It must be noted that markets exhibit imperfect competition, evidenced with frequent shenanigans from top financiers across the globe (Atkinson 2015; Werner 2003, 2005, 2014; Dorling 2014). The danger of creating profit maximizing economic sectors, which provide vital social services (e.g. healthcare, schooling, pensions), is evident with the stance of American healthcare system, where despite the skyrocketing prices, the average duration of life is comparably shorter to developed countries with national healthcare system (Wolff 2012; Dorling 2014; Chomsky 2016).

The growing issues of increasing public levies, plummeting government spending and narrowing living standards are not restricted to the borders of the United Kingdom and can be observed throughout the Occident, especially since the onset of the GFC. To illustrate the despair of European fiscal apparatchiks to raise extra revenue, one can study debt-ridden Portugal. A suitable example is the sun (or view) tax, which is aimed at imposing higher taxes on south-facing properties and/or properties deemed with a nicer view (RT 2016). Such fiscal problems are indeed a concern for a number of North American and European countries.

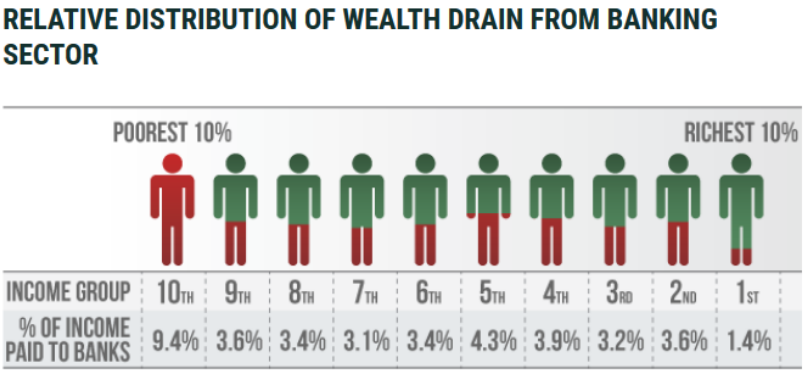
While the majority of citizens continue to suffer a worsening standard of life by a swelling tax burden, inequality is invigorating at a rapid speed, which draws more and more interest from a progressively dissatisfied public. On intellectual level, the growing public interest in the topic of uneven income and wealth distribution is best illustrated by the instant success of Thomas Piketty's English language version of his magnum opus 'Capital in the Twenty-First Century', which has turned into a bestseller overnight. The scholar notes, though, that this is 'primarily a book about the history of distribution of income and wealth', where long run data about income and wealth inequality in Europe and the United States is presented. Despite the richness of the data set, the modern-day Karl Marx contends that it captures too little to draw inferences about inequality (Piketty 2015). Yet, his widely-debated work advocates a global annual levy to be imposed on the largest wealth holders and a punitative tax on high income earners with the aim to create a more equitable society.

Despite the attempts made by G20 ministers 'to reduce excessive global imbalances, promote greater inclusiveness and fairness and reduce inequality in … pursuit of economic growth' (IMF 2017), an increasingly larger share of wealth and income continues to be in the hands of a few individuals. The top brass owned 41 per cent of all the wealth of the planet in 2013, rising to 48 per cent and 50 per cent by 2014 and 2017, respectively.

However, there are significant discrepancies even within the top percentile as Danny Dorling, an Oxford scholar, minutes. The Office for National Statistics, he remarks, has no idea about how much wealth the 1% has and how this is distributed within the top percentile. This is undoubtedly due to the widespread tax evasion with the systematic usage of offshore tax havens. Dorling (2014:95) reveals that 'nearly a third of all financial wealth in the world is owned by 0.001 per cent of the population – some 91,000 people. Almost all of the rest is owned by the rest 0.14 per cent. Almost everything else, excluding the homes people live in,

is owned by the global 1 per cent'.[85] With over 300,000 homeless people on the British streets and exponentially increasing difficulty for first-time homebuyers to purchase (smaller) properties, broad cross sections of local society are slowly turning into what the original Karl Marx will qualify as *proletariat*, which, on the other hand, seems acceptable for the next generation of EU leaders (Shelter UK 2017; Marx 1867; Auken 2016; Evans 2018).[86]

Noble Prize winner Stiglitz (2012, 2015) is gravely concerned about those intolerable levels of inequality to the extent that he portends of a social revolution beyond the satisfaction of the intellectual curiosity of the 99%. With the spectacular rise of inequality in Anglo-American societies and the structural reformation of transition and developed countries, modelled upon the institutional paragon of the former, the surge in popularity of progressive (often labelled as 'populist') movements across Europe and the U.S.A. is hardly surprising.



(Source: Positive Money, 2013)

Picture 17: Relative Distribution of Wealth Drain from Banking Sector

In order to avoid a revolution on national level, it is important for British policy makers as well as the wider public to understand that inequality was embedded in societal fabric with the design of institutional framework introduced at the end of the short 17th century. It had

[85] The claim that ordinary taxpayers are homeowners is a widely-held misnomer. Since most homes are bought with a mortgage deed, the claim on the property belongs to the underwriter (e.g. commercial bank, building society), where the mortgagee is a 'tenant' with a claim on the property which is acquired in his name only once the borrowed nominal amount plus interest has been fully repaid to the 'lender'. This is confirmed by the recent financial crisis, where millions of people found themselves evicted from 'their' homes.

[86] Ida Auken, one out of the 40 most promising young leaders under 40 in Europe, envisages Europe in 2030: 'I own nothing, have no privacy and life has never been better.' (World Economic Forum, 11th November 2016). Swift (1713): 'a new Estate and Property sprung up in the hands of Mortgagees, to whom every House and Foot of Land in England paid a Rent Charge free of all Taxes and Defalcations… so that the Gentlemen of Estates were in effect but Tenants to these New Landlords; many of whom were able in time to force the Election of Burroughs out of the hands of those who had been the old Proprietors and Inhabitants. This was arrived to such a Height, that a very few Years more of War and Funds would have clearly cast the Balance on the Money'd Side.'

successfully managed to produce one of the 'Western European countries with the highest level of inequality' (Leitner and Holzner 2008; Dorling 2014; Piketty 2014; Atkinson 2015; Stiglitz 2015). By now, the well-established rent-extracting institutional order ensures a friction between the fiscal and monetary channels, where the fiscal apparatus is unilaterally appropriating part of the income of the productive part of economic agents and transferring it to another part - the pecuniary interests - who have privatised credit creation and fund persistent budget deficits (i.e. national debt) (Werner 2003, 2005; Goodhart 1989, 2017; Brewer 1988; Mcleay et al. 2014; Bundesbank 2017; Carney 2009; King 2016; Turner 2015; Reinesch 2017; Jordan 2018; BIS 2003).[87]

The presented analysis of the friction between private money and public debt on macro level can be extended to contractual debt relations on micro level. With the key knowledge that (private, joint-stock) banking firms act as rent-extracting institutions drawing resources from manifold layers of society, through a self-created positive interest margin, it is easy to apprehend that this lies in the epicenter of income and wealth inequality since all productive members of society pay dues to the money stewards (King 2016).[88] By this traffic, inequality has become the major social curse of the dominating neoliberal capitalist framework, which will possibly subsidise its demise (Schumpeter 1949; Sombart 1911; opposite to Djankov 2014 in Aslund and Djankov 2014). Notwithstanding, a political regime change without the apt reimagining of money and banking with their equitable and apposite diffusion across the social spectrum will expectedly yield chaos, misery and economic plight of greater magnitude than the Bolshevik revolution in Russia (Hollis 1938).

While this work is studying the dominant institutional model, it is also relevant for society on pan-European level since Washington-based institutions are propagating this specific variety of capitalism, dominating in the former British colonies (U.S.A.; Australia), to European

[87] BIS (2003:1): 'What makes a currency unique in character and distinct from other currencies is that its different forms (central bank money and commercial bank monies) are used interchangeably by the public in making payments, not least because they are convertible at par.' In other words, commercial banks are retailers of central bank money but also issue own debt instruments in the process of lending, which are convertible at par value at the discretion of the bank customer.

[88] Though, this is a major contributing factor to income and wealth inequality in the present capitalist system, it is not the only one. As recognized by Marx (1867) and subsequent writers on political economy (e.g. Wolff, 2012), the ownership structure of private capitalist enterprises is also a contributing factor. Leo Tolstoy observed the same pattern: 'The control exercised by one set of men over another is not due to money, but to this, that the labourer does not receive the full value of his labour; and he does not get the full value of his labour on account of the properties of capital, interest, wages, and of the complex relations between them and between the production, distribution, and employment of wealth themselves.' For distribution of interest income see Margrit Kennedy (1990: 8-10).

countries with a different type of capitalism (e.g. coordinated (Germany & the Netherlands); social welfare (Sweden, Norway, Denmark, Finland)) (Wade 2012; Werner 2003; Goergen et al. 2012). Therefore, the latter set of countries must be vigilant since their endogenously developed institutions, as discussed in *varieties of capitalism* literature, are under the threat of denationalization and centralization with profits further concentrated in the hands of the global 0.001%, who already own the TBTF corporations (see Stiglitz 2012 on subsidies for banks during the GFC; or Huber and Robertson 2001 for bank subsidies).

In 2016, the number of British highly paid bankers was 3,529 (47% increase since 2011), representing over three-quarters of the total number of high-paid bankers in Europe. In the same year, the number of highly paid bankers in Germany was as low as 253 (48% increase since 2011). This low figure was principally owed to the decentralized, regional banking system (Schmidt, Seibel and Thomes 2016) but with the successful completion of structural reforms in the German banking sector to the Anglo-American banking paragon, with a few centralized institutions, it is likely the equitable continental pay structure shall not before too long become a matter of the past - a topic for reminiscence.[89] In fact, the results of the pursued policies to replace the stakeholder with the shareholder value model appear to yield results as discussed in the introduction of this work (Storbeck 2018).

> A subtle yet substantial shift in political priorities is taking place in Berlin…In its courting of corporate interests, Berlin has usually been fond of carmakers, engineering companies and Germany's famed swath of family-owned *Mittelstand* businesses… [The government] has been at best indifferent to, and at times, suspicious of, global financial industry – a stance shared by much of the German public in the wake of the financial crisis. Yet Ms Merkel and [finance minister] Olaf Scholz… have started a

[89] See Huefner (2010) for more details about the intended structural reformation of the German public banking sector: 'Consideration should thus be given to open up the German savings bank sector to private ownership. This would ensure a level playing field between public sector and private financial institutions. Even though profitability of the savings banks is better than that of private banks, the current setup of the savings bank sector may have adverse implications for the profitability of other banking groups'. This is a view supported by the governor of the European Central Bank, Mario Draghi (2016), who claims that Europe has too many banks despite the threats posed by the TBTF during the financial crisis, which were saved with taxpayer money. More recently, Diallo and Zhang (2017) recently demonstrated empirically that 'bank concentration is harmful to [economic] growth'. Mkhaiber (2017) 'using an econometric approach and data on over 14,000 U.S banks of all sizes, from 1994 to 2013' finds '… results [that] indicate an inverse relationship between bank size and the propensity of banks to lend to small and micro businesses. The relationship is robust and survives a number of rigorous specification checks… The inverse association of bank size with propensity to small business lending indicates that small banks are superior in SME lending through their form of relationship lending. Accordingly, small banks can be the optimal financial machinery to facilitate credit to and support the growth of SMEs.' In an earlier study on US data, Berger et al. (2005) show that small businesses in US regions with a majority of large banks were more likely to face credit constraints than firms located close to small, decentralized banks.

> rapprochement, wooing large, global lenders and positioning themselves much closer to the financial sector.
>
> Olaf Storbeck, 2018

Unlike the majority of works which measure the distribution of income and wealth inequality in the short run (defined as less than 100 years) (Saez and Zuchman 2016; Atkinson 2015; Stiglitz 2012, 2015; Heyns 2005 for Eastern Europe), this paper attempts to answer what are some of the major driving forces behind income and wealth disparity, whilst society became trapped in a vicious downward spiral under an *allegedly* inclusive institutional framework (North and Weingast 1989; Acemoglu and Robinson 2012; Ferguson 2008, 2012; IMF 2017). In contrast to economic literati, who typically adopt a short-run view on these matters (Stiglitz 2012, 2015; Atkinson 2015), we contend that by engaging in a Pikettian-style (2014) long-run macroeconomic study, the roots of inequality can be identified when these were first embedded in the fabric of the institutional order.[90]

It goes without saying that this economic inquiry maps out the rent extraction process by banking firms but fails to explore other rent-extraction methods such as the monopoly of large corporations in the global economy (Mazzucato 2018; Stiglitz 2012, 2015), the (adverse) role of automation and increased technology on economic inequality (Atkinson 2015; Rotman 2014), the direct effects of fiscal policy on income distribution (Piketty and Saez 2003) and other explanatory (sub-)factors in increasing economic disparity such as education and certification of high-paying jobs (Dorling 2014; Bourdieu 1996). The investigation thus focuses solely on one (main) variable amongst a sizeable constellation of conjoint explanatory variables.

In the next section we set out to draw a comparative study between the early modern institutional paradigm, characterized by a privately-held, for-profit, credit-creating bank firm, underwriting public debt on the security of raising public taxation, and the erstwhile institutional order, where neither national debt nor large-scale taxation existed. Emphasis is naturally placed on the identification of the former paragon when the modern rent-extracting system was first established since it still has a profound impact on societal structure and functioning (contrary to North and Weingast 1989; Acemoglu and Robinson 2001, 2012; Acemoglu, Robinson and Johnson 2006; IMF, 2017). While the fiscal and monetary policies of the quondam institutional order are studied only briefly here, it is hoped, that the drawn vivid picture of this world order

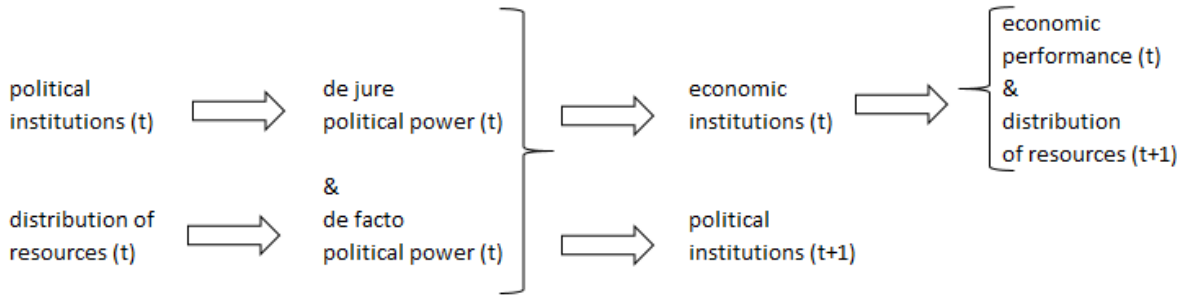
[90] The work by Piketty is an exemption but it does not capture the founding of the modern-day institutional order.

provides for a strong contrast to the contemporary world characterized with levying taxes upon taxes (for key details on the tally stick system see Werner 2016, 2018). The intimate knowledge of earlier institutional arrangements, however, may serve as a guiding light for the redesign of social institutions (of money) in order to genuinely accomplish the goals set by G20 ministers – 'to reduce excessive global imbalances, promote greater inclusiveness and fairness and reduce inequality in … pursuit of economic growth' (IMF, 2017).

A Brief History of Taxation in the United Kingdom

The fiscal policy pursued by the Stuarts, economic historians chime, is best described as 'hand-to-mouth' practice, where borrowing was exclusively short-term, attracted at excessive interest rates (Dickson 1967; Carruthers 1996, 2007; O'Brien 2014; Alexandrova 2018). With its creation the Bank of England, predominantly held by Whig merchants, remedied this ill practice. Concurrently with its establishment in 1694, a new financial instrument was introduced to England - funded debt (Clapham 1944). Almost a century later, the eminent Scottish economist Adam Smith defined funded debt as long-term or perpetual debt, which bears interest (Smith 1776). Today, this early modern era financial invention is widely known as national debt. The introduction of an inclusive, pluralistic institutional order, which was guaranteeing the security of debt contracts, enhanced by an independent judiciary safeguarding their execution, braced by an expanding fiscal state, was a prerequisite for investment in central government debt by private agents (North and Weingast 1989; Acemoglu and Robinson 2012).

Figure 7: The Theoretical Modern-day Institutional Order



(Source: Acemoglu, Johnson and Robinson, 2006: 392)

Under the new institutional order, a Parliamentary practice to match new loans with particular taxes developed (Dickson 1967; Clapham 1944). This standard practice leading to an effective tax system, 'providing the government with substantial and regular income' as Brewer (1988:89) splendidly elucidates 'was a necessary condition of the new credit mechanisms'. The

contemporary Charles Davenant (1698:2) soon noted that, ‘a variety of new Taxes have been lately levied in this Kingdom’. For example, a new tax on the number of windows was introduced 1696. In its nature this early modern levy is strikingly similar to the contemporary Portuguese case (RT 2016). By the 1740s, the number of taxes imposed upon the public was so great that William Pulteney, an MP, exclaimed:

> Let any gentlemen but look into the Statute Books lying upon our Table, he will there see to what a vast Bulk, to what a Number of Volumes, our Statutes relating to Taxes have swelled since the Revolution… It is monstrous, it is even frightful to look into the Indexes, where for several Columns together we see nothing but Taxes, Taxes, Taxes.
>
> William Pulteney, 1742-1744, vol. 2: 491

> Let People cast their Eyes for Five and Forty years backward, and compute what the Landed Men have payed to the Support of this Government; no less than Sixty Millions of Money have been payed by the Land-Tax into the Exchequer since the Revolution.
>
> Swift, 1733: 37

Historical statistical data reflects this observation of increasing number of taxes. Vries (2012: 5) logs that ‘post-Glorious Revolution Britain … became the country with the highest taxes and highest government debt in Europe’. Brewer (1988:91) reports the increasing burden imposed on Englishmen: ‘[O’Brien and Mathias] demonstrate that the percentage of national income appropriated as taxes rose from approximately 3.5 per cent in the 1670s to over 9 per cent by the end of the War of Spanish Succession and to between 11 and 12 per cent of national income during the American War. Put another way, the share of British per capital income appropriated as taxes rose from 16 per cent in 1716 to 20 per cent in 1760. At the end of the American War the proportion had reached 23 per cent’.

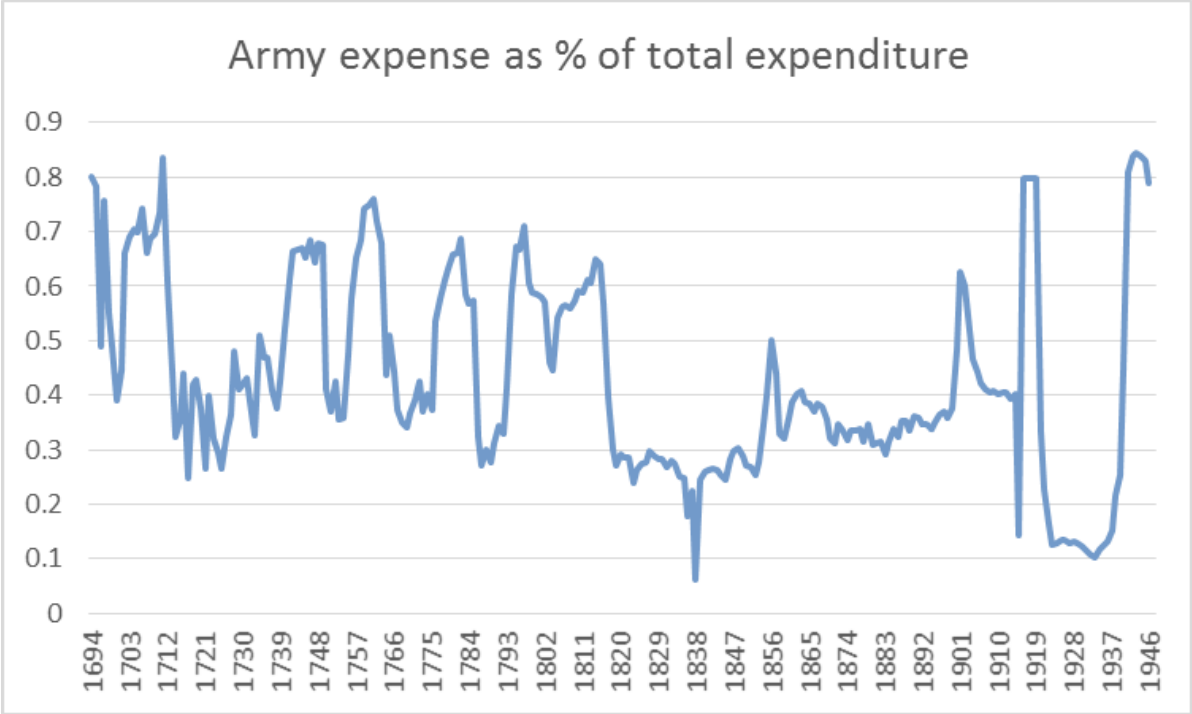


Figure 8: National Expenses on Military as Percentage of Total National Expenses (1694-1946)

The first few decades of the new institutional regime showed its promise for the profits to be generated by the Bank's tight group of Whig shareholders by underwriting of national deficits, incurred predominantly for war (see figure 10 below). As testified in the previous chapter, the Bank paid out the first bankers' bonuses soon after its launch. An exponentially increasing amount of government income, paid for by the Tories (Hargreaves 1930: 41; Swift 1733), was transferred to the newly-created class of financiers by the constantly expanding and perfected fiscal apparatus, which exceedingly discharged the collection of funds (Brewer 1988; O'Brien 2014). Contemporary observers recorded the reallocation and concentration of monetary resources, too.

> The Landed Gentlemen bore the greatest Share of the late War; by that they had been loaded with many heavy taxes; by that were all those Funds created out of which the Plumb Men of the City of London have made most of their Estates, by which they are enabled to deck their Wives in Velvet and rich Brocades, while poor Country Gentlemen are hardly able to afford their Wives a Gown of Lindsey Woolsey.
>
> Joseph Danvers MP, 1733, cited by Dickson, 1967: 28

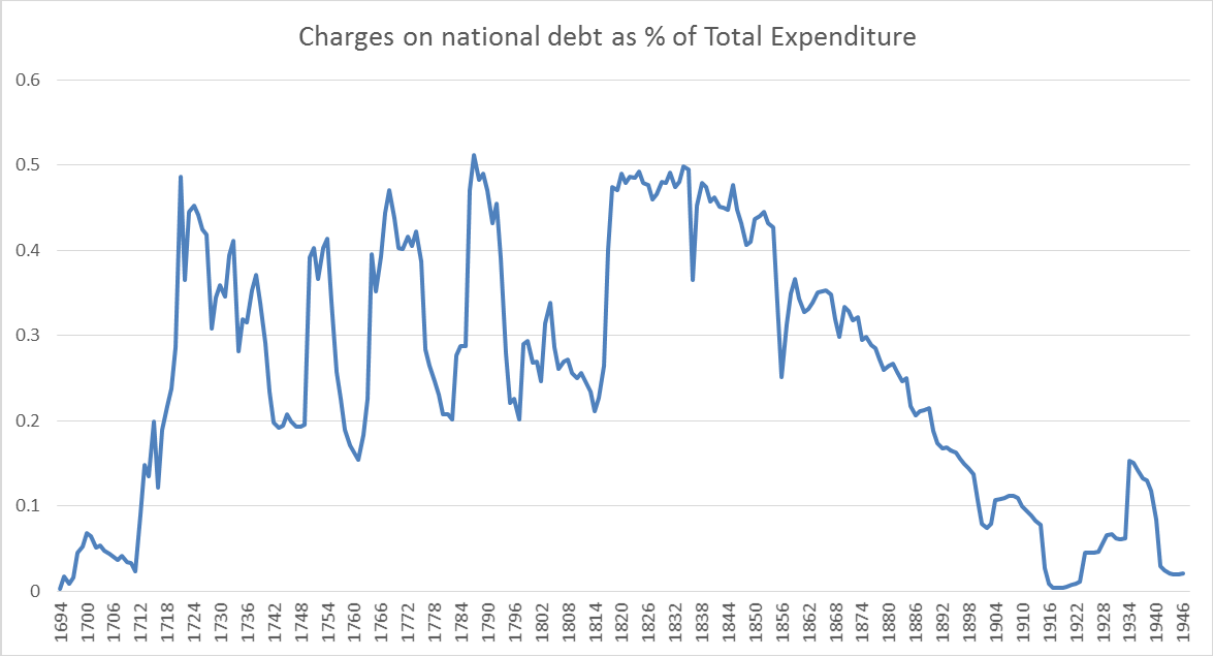


Figure 9: Debt Servicing as a Proportion of Total Expenditure (1694 - 1946)

The practice of increasing public taxation under the new institutional order, which has seen little change to the present-day, evidenced with the contemporary tax anomalies (Palin 2016), must be compared to the tax regime of economic agents living under the previous institutional order. Until the recalibration of the political equilibrium in 1688, English kings were granted annual revenue with which they were supposed to support the Crown, while rare subsidies were allowed. Some rulers were responsible with the Crown Purse, as was Queen Elizabeth I, who managed to pay off accumulated debts by her ancestors 'with so narrow a revenue and with such small supplies from her people' (Hume 1759). Sir Francis Bacon, a devotee of inductive reasoning, reveals the frustration of his peers against an appeal for subsidy by the Queen:

> … he that shall look into other countries and consider the taxes… that are everywhere in use, will find that the Englishman is most master of his own valuation and the least bitten in purse of any nation in Europe… Even the humblest hard hit [man]… if living by wages had some reason to remember good Queen Bess; for as nearly as possible he paid no taxes.'
>
> Sir Francis Bacon, Former Attorney General and Lord Chancellor, in Sir John Clapham, 1970: 287

On the other hand, as is the case with governments (the present-day accumulation of national debts), some rulers were less responsible with their spending habits. Pertinent examples for mismanaging the Crown Purse are the Stuarts (used also by North and Weingast (1989)), who

usually spent a larger amount than their annual income and thus were building up the king's *personal debt* (Hume 1754). The Stuarts raised funds to cover their *personal deficit* by sale of lands, titles and money advanced by the European kings. Loans to the King usually charged an annual levy of 10% until 1624, when the interest was reduced to 8%, which was still above the legal maximum of 6%.[91] Hirst (1985) remarks that despite the Stuarts' deficits, in the vicinity of *£20,000-£30,000* per annum (Hume 1754), and the high interest rates charged by financiers, there was minimal taxation, which came rarely, fell lightly, and fell on few until 1635.

When the Stuarts were restored, Charles II settled for fixed revenue, amounting to £1.2m. In order to meet extraordinary warfare expenditure during the Second Dutch War, extra direct taxes were raised with the total revenue increasing to £2m. Raising extra warfare money, prior to the establishment of the contemporary inclusive, pluralistic institutional framework (North and Weingast 1989; Ferguson 2012; Acemoglu and Robinson 2012), was an exception rather than the norm as the figure below illuminates.

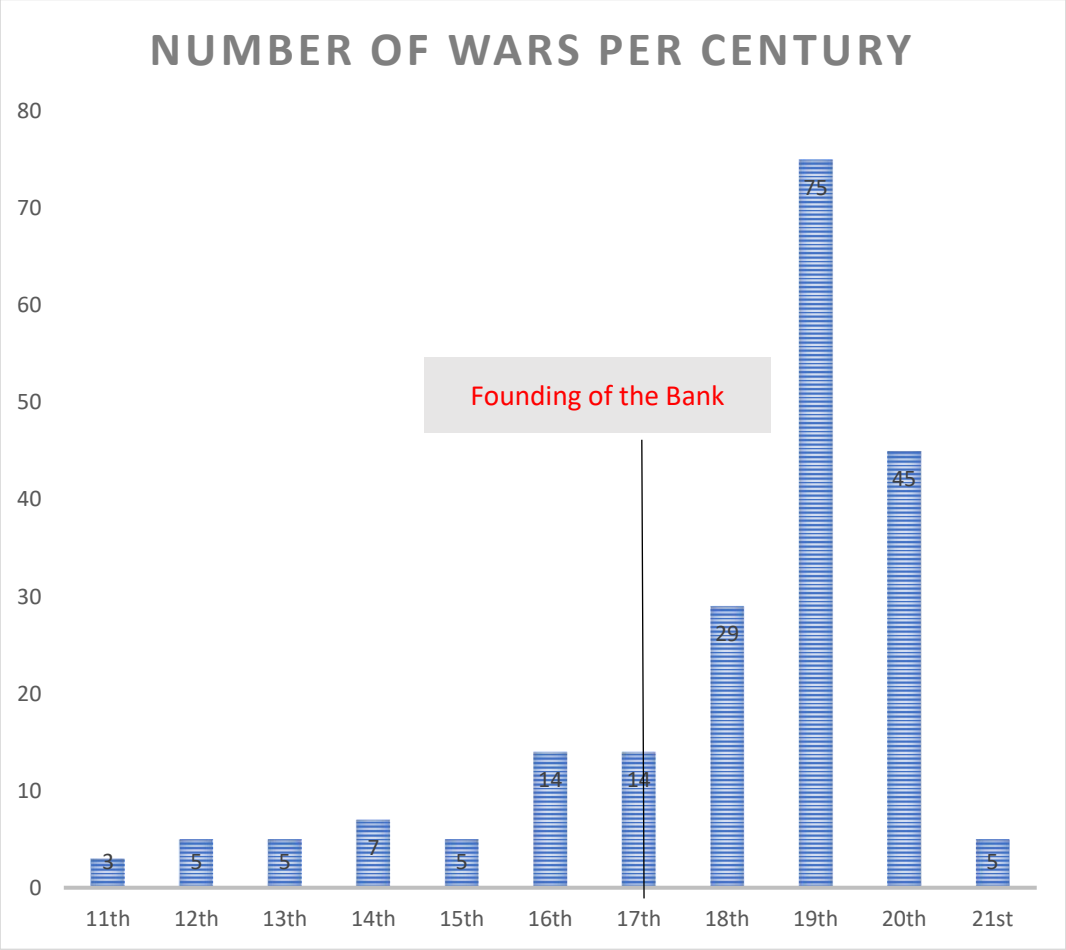


Figure 10: Number of Wars involving the United Kingdom

[91] For discussion on excessive interest charges and interest charges see Hudson (1993, 2014). A useful tool for the calculation of profits derived from the trades of usury is the Principle of 72 (see Romer, 2016).

Following the conclusion of the said war, ordinary revenue retracted to £1.4m per annum. An amount, which remained largely unchanged until the end of the Stuart reign (Hume 1757). Yet, during the Restoration years public borrowing started to develop with the priming of the Order of Repayment (Hargreaves 1930; Guiseppi 1966):

> All persons who shall lend any moneys to Your Majesty, and pay the same into Receipt of the Exchequer, shall immediately have a Tally of Loan struck for the same, and an Order for his repayment bearing the same Date with his Tally, in which Order shall be also a Warrant contained, for payment of Interest for forbearance, after the Rate of six per Cent. per annum, for his Consideration, to be paid every six months until the repayment of his Principal.

Act of 1664, Charles II in Hargreaves, 1930: 2-3

Economic historians concur that this financial instrument could have 'formed the basis of a State issue of paper money' (Hargreaves 1930: 3) had it not been for the Shut of the Exchequer in 1672 (Guiseppi 1966).[92] It is surprising to find that the Order of Repayment did not succeed as a state-issued currency since it was operating on the same principles as the privately issued debt instruments (i.e. Bank of England's paper money) supplemented by the Parliamentary practice of earmarking taxes and debts. On the other hand, a number of high-ranking Exchequer officials can be identified as major shareholders in the new enterprise, which created money *ex nihilo*, lending it to the government at an interest on the security of increased earmarked public taxation. Since the Bank paid dividends proportionately, these public administrators profiteered spectacularly from their investment in the enterprise. This was an unfeasible scenario under state-issued monetary framework, where proceeds were to be accrued into the national treasury.

[92] Most of the debt was owed to a few goldsmith bankers. Horsefield (1982) reports that Sir Robert Vyner was due 32%, 22.5% were due to Edward Backwell, 19% to Meynells and 6.5% to Colville's successor. Roseveare (1991, p.21-2) informs that much of the debt was accumulation of old debts, not new. In addition, the advance was made without the knowledge of depositors - "It had been usual for the bankers to carry their money to the exchequer and to advance it upon security of the funds, by which they were afterwards reimbursed when the money was levied on the public. The bankers by this traffic got eight, sometimes ten per cent, for sums which either had been consigned to them without interest, or which they had borrowed at six per cent: profits which they dearly paid for by this egregious breach of public faith. This measure was so suddenly taken, that none had warning of the danger. A general confusion prevailed in the city, followed by the ruin of many. The bankers stopped payment; the merchants could answer no bills; distrust took place everywhere, with a stagnation of commerce, by which the public was universally affected… men full of dismal apprehensions asked each other what must be the scope of those mysterious counsels, whence the parliament and all men of honour were excluded and which commenced by forfeiture of public credit, and an open violation of most solemn engagements, both foreign and domestic" (Hume, 1754).

Name	Role/Connection to the Exchequer	Size of Investment
Brook Bridges	Auditor	£10,000
Sir Robert Howard	Auditor	£8,000
Thomas Howard (son to Sir Robert Howard)	Teller	£10,000
Charles Montague	Chancellor	£2,000
William Lowndes	Married to a daughter of an Auditor of the Exchequer since 1691; Later Chancellor	£1,000
Mrs. Mary Booth	Widow of Henry Booth, who was made Chancellor of the Exchequer since 1689	£500
Thomas Mulsoe	Married to the daughter of Sir John Turton, Baron of the Exchequer (role similar to the auditor of revenue)	£10,000
Anthony Parsons	Auditor of the Revenue	£10,000

Table 4: Key Personnel at the Exchequer

While initially national debt was held by a wide range of investors (clerks, widows, artisans and petty public servants (Dickson 1967; Clapham 1944; Richards 1929)), the Bank of England expanded its interest during the 1720s, facilitated by the spectacular failure of the South Sea Company (SSC). Sir Theodore Janssen, a prominent paper merchant and former Bank of England director, sponsored the trading company.[93] The SSC scheme envisaged that national debt holders will surrender their claims on central government revenue for the less certain prospects of share appreciation and dividends paid out by a company trading in the mysterious South Sea (Paul 2011, 2015; Roseveare 1991:54). By the end of the subscription operation, a vast number of claims on national debt were surrendered and converted to SSC stock. Two-thirds of the annuitants 'were to swallow the bait' (Dickson 1967: 93).

Investors were soon to realise the chimaera of any profits that were to be produced by the well-capitalised enterprise. The stock price started to fall in late August 1720 following a decision by the Treasury to act firmly against a similar enterprise. Roseveare (1991) and Paul (2011, 2015) comment that the real losers were the annuitants, who had not only lost secure bills on central government debt but also the capital amount invested in the speculative SSC stock, which returned to its natural value - zero.[94]

[93] The Scottish banker and economist John Law first devised a similar scheme in France, which though ruined both the note-issuing Banque Royale and the allegedly trading Mississippi Company. For full account see 'John Law- The History of an Honest Adventurer' by H. Hyde (1948).
Sir Theodore Janssen, a prominent Huguenot, was the largest importer of paper into London. He was the supplier of paper for the Bank of England's note issuance until another Huguenot, Henri de Portal, replaced him in the role in 1724.

[94] The South Sea Company episode is very similar in nature to the bubble created by the contemporary 'crypto-currencies', where the majority of investors will lose their capital investment since its natural value is 0, because

The Bank of England, on the other hand, may be perceived as a major winner of this unfolding of events. Not only did it not advance a considerable amount of money to the Treasury as the SSC did, but also the Bank now held a more dominant stake in national debt, whilst the fiscal capacity to service it was increased. Firstly, due to the money advanced to the Treasury by the bankrupted firm. Secondly, claims on central government securities by a great number of private investors were removed. This important event put the Bank's position as a banker to the state beyond doubt - a role, which it still discharges successfully.[95] By the 1750s, the success of the large-scale enterprise was evident since its notes circulated smoothly within the 65-mile radius, where the Bank's charter enjoyed heavy protection (Clapham 1944).[96] This set public credit on solid footing ahead of the expensive Seven Years' War (1756 – 1763) and the War of American Independence (1775–1783), which 'ultimately raised the capital of the debt to such a figure as not only to make complete redemption appear almost impossible, but also to create fear of public bankruptcy' (Hargreaves 1930: 60).

During the Seven Years' War, since borrowing was excessive and executed without any provision for debt repayment, interest payments were charged against the Sinking Fund, which was developed by Sir Robert Walpole earlier in the century in order to repay national debt with the aim to reduce the burden on taxpayers (Dickson 1967). The Sinking Fund was thus no longer to discharge its initial aim, but it was reduced to facilitate a transfer of income from one part of society to another through the interest payments on national debt.

> In the case of taxes laid on for paying interest, instead of capital being contributed, which is spent and lost, a portion of the revenue or income of one set of persons is taken, and paid over to another set, in the shape of dividends. There is, therefore, no positive diminution of the national wealth occasioned by this operation; and the paying

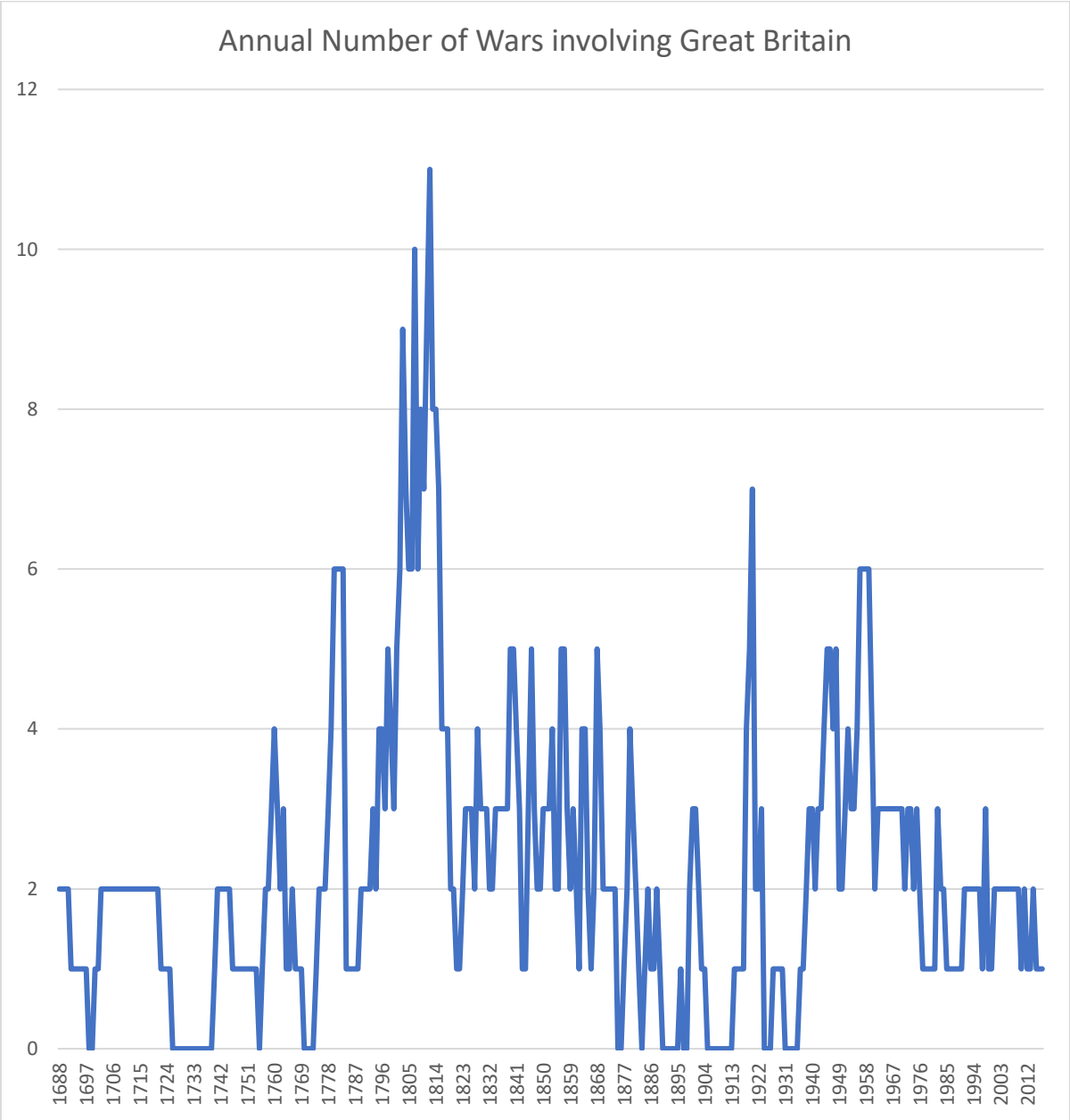
these mined 'coins' currently discharge no useful social function, as also observed by Stiglitz (2018). Since the start of the calendar year, cryptos have lost about $600b in value (Lam, 2018).
For an interesting discussion on private money creation and central bank money and the link to crypto-currencies from a historical prism, see Schnabel and Shin (2018).

[95] The Bank of England owns about a third of UK national debt in 2017. Therefore, effectively, since its nationalization in 1946, the government pays itself on national debt. It must be noted that HMRC charges corporate tax on the Bank's profits (Huber and Robertson, 2001)

[96] The success of the Bank of England demonstrates that protectionist policies, which allow newly established enterprises to develop and amass expertise (see Murphy (2010) for a detailed study on the attained expertise of the Bank's lower corporate body), with guaranteed customers (i.e. the British government) and demand for services (i.e. the acceptance of Bank of England notes for discharging tax payments) are particularly helpful for the creation of sustainable capitalist firms, producing immense profits for their shareholders in the short-, medium- and long-term. This is an observation in line with another prominent scholar of the German Historical School, Friedrich List (1841).

> of 28,000,000l. a year in dividends is … *a transfer of so much money from the pockets of one part of the public into the pockets of another part of it*.
>
> Sir Henry Parnell, 1832 (italics added)

This redistribution process was invigorated during the successive War of American Independence, which generated over £100m new national debt, where the practice of paying off interest was continued. The public official who secured the war financing contemplated that since 'he was the borrower and … [they] were the lenders … the latter prevailed' (North in Hargreaves 1930: 68). By the end of the 18th century, the British economy was so burdened with debt that there were widespread fears of public bankruptcy.



Graph 2: Annual Number of Wars involving Great Britain (1694 – 2013)

The following century was highlighted by 'nothing but [a] drastic reform', Bastable (1903: 508) comments, '[which] restored the English finances after 1840, the normal working of a good system placed the country in able to meet with comparative ease the pressure of a costly war in 1899-1902. If productiveness, elasticity and lightness of burden be good attributes in a tax system, then the existing English one need not fear comparison with former times'. The positive impact of the tax reform was reinforced by the fact that during the second half of the century the British Empire did not involve itself in numerous and expensive military conflicts which would otherwise further have built up national debt through fiscal deficits.

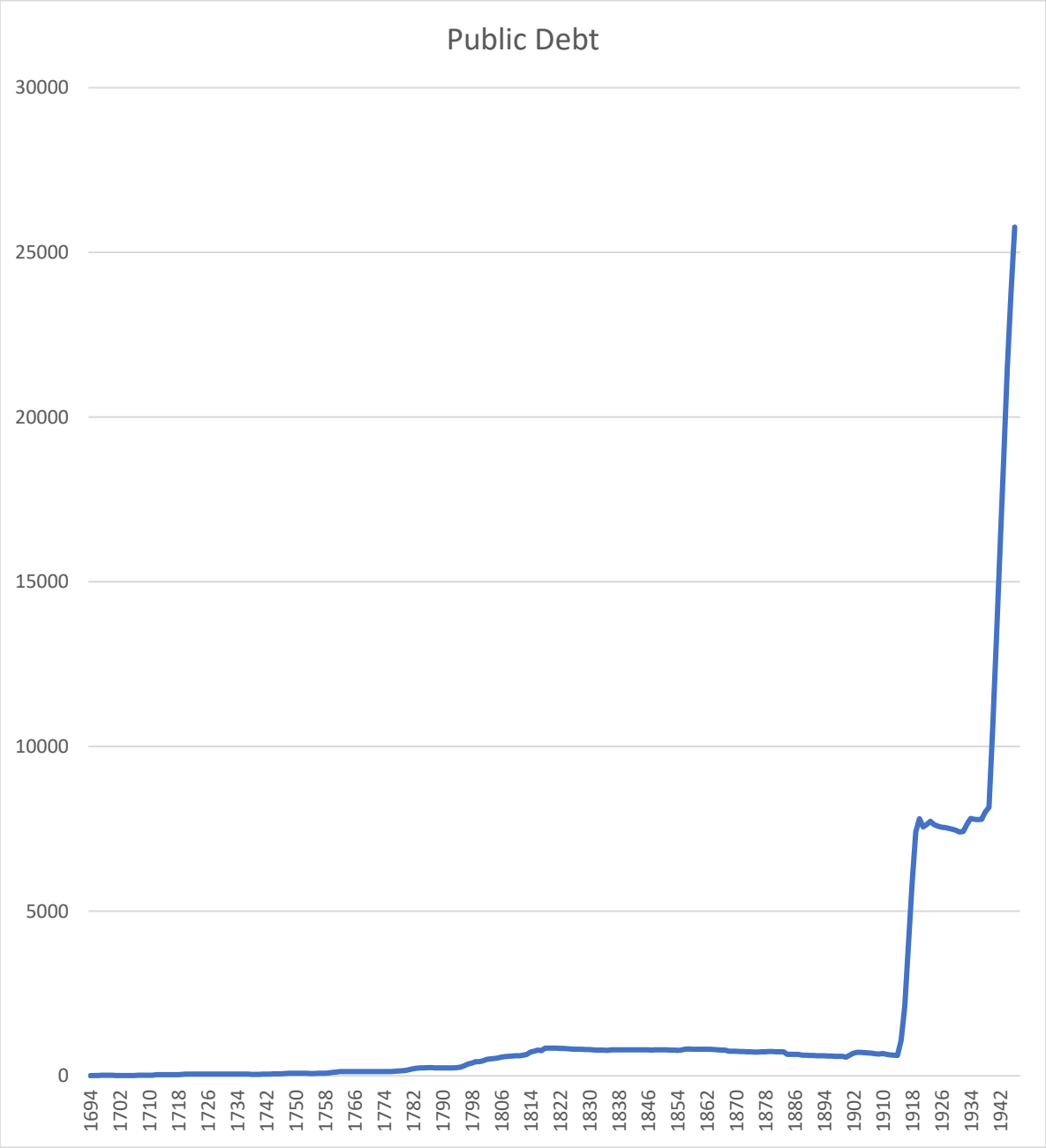
The synergy of tax reforms and time of peace resulted in a reduction of the public debt burden and increased social prosperity until the two world wars. The interwar period, as Cloyne et al. (2018: 5) comment, was characterised with the Treasury philosophy that any 'budget surpluses … [will be] used to pay down debt'. Despite the attempt to consolidate the Treasury position and reduce social inequality during the interwar period, the two major wars in the 20th century accumulated significant public debt again.

The editor of The Economist, Geoffrey Crowther (1940), enlightens that fiscal deficit was financed through endogenous monetary expansion with the Bank, still privately-owned, underwriting an insignificant share of the national debt securities. The well-practiced British approach of financing warfare under the new institutional order was supplemented with the reintroduction of a repressive tax apparatus, which channelled money from the public via the government back to public creditors in order to service an exponentially rising interest burden (Crowther, 1940).

With the conclusion of the Second World War, the Bank of England was finally nationalised as envisaged by the father of economics and prominent Sephardi banker David Ricardo as far back as 1824.[97] With its nationalisation, the company was no longer to produce profits for private shareholders. The alteration of the Bank's ownership structure was thus the cut off point for our qualitative and empirical study.[98] However, since a significant spike in all examined

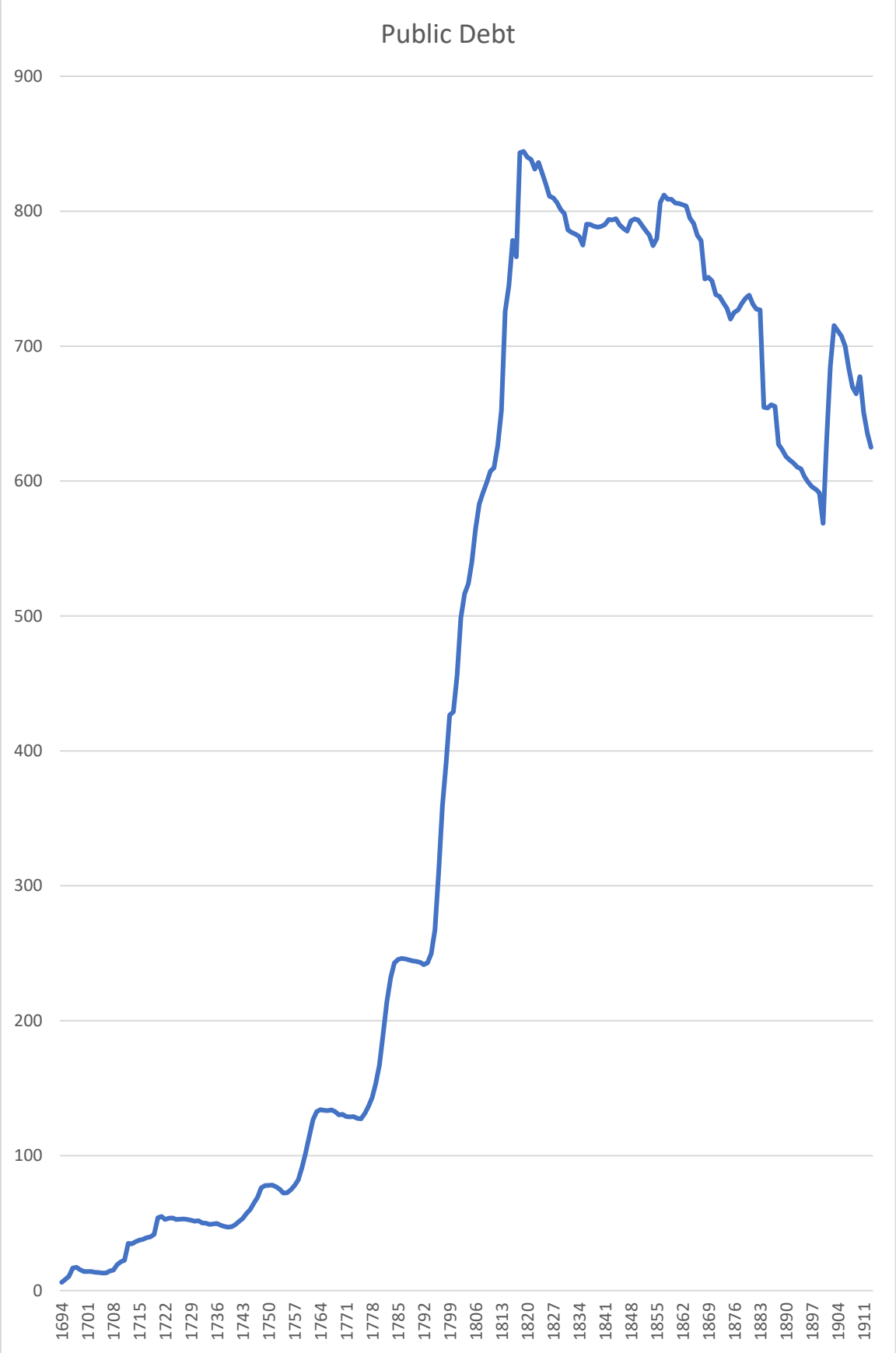
[97] In Iberia during the times of the Inquisition, Sephardi Jews were forced to convert to Christianity, labelled with the derogative term 'marranos'. Translated from Arabic, it means forbidden in the context of the prohibition of eating *pigs* (pork), while through the Spanish linguistic lens, it may mean 'to err' or 'to deviate', referring to the fact that the cristianos nuevos deviated from the adopted Christian faith by secretly continuing to practice Judaism.
[98] Yet, it must be noted here that with its nationalisation (and the erection of plurality of central banks around the globe), a misinterpreted thesis about central bank independence was/is reinforced, which allowed the credit institution to stay again largely uninfluenced by political institutions and actors. The latter, on the other hand, were still largely reliant on raising funds from capital markets to finance public debt, including commercial banks,

variables is observable after the commencement of World War II, the ending period for this empirical research has been moved forward to 1940. A further study may be conducted covering the following century (1940 – 2018) in order to compliment the findings presented in the next section. Alternatively, capturing the preceding period is a possibility since a similar spike in aggregates is observable with the start of World War I as graph 2 below illuminates.

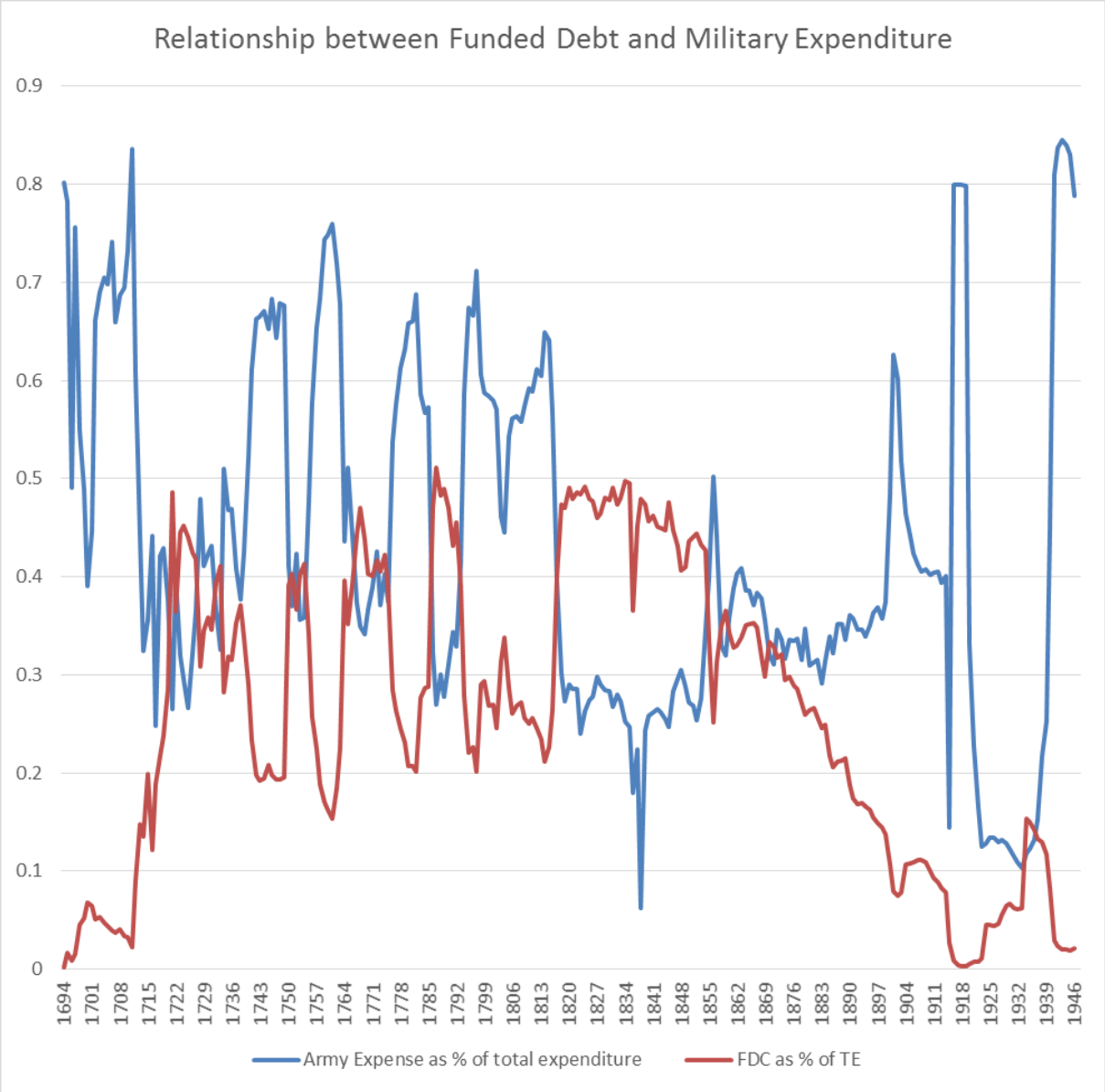


Graph 3: Public Debt (1694 – 1946)

whose shareholders still profiteer from credit creation. Huber and Robertson (2001) estimate that the cost of private money creation to the British taxpayer is in excess of £60bn.



Graph 4: Public Debt (1694 - 1913)



Graph 5: Relationship between Debt Servicing and Military Warfare (1694 – 1946)

From the presented short overview on the evolution of public taxation, a strong contrast is immediately evident between the military-fiscal state developed in post-Revolution England, which burdened the public with heavy and frequent levies, and the quondam institutional order, where duties came rarely, fell lightly, and fell on few individuals (Hirst 1985).

Under the latter framework, where England was engaged in infrequent wars, there was no need for goods and service to be burdened with heavy taxes, duties, levies, tolls and tithes which had resulted in a society which was 'the least bitten in purse of any nation in Europe' (Bacon in Clapham 1970). The systematic lack of taxation data of earlier periods is partly due to the *audible* tally stick system, which served the dual policy purpose of a monetary and fiscal tool,

Werner explains (2016, 2018), where debt charges were settled on an annual basis.[99] Modern economic historians have unfortunately labelled the sound practice of the unified monetary and fiscal system as 'hand-to-mouth' practice.[100]

Prior to the institutional change at turn of the short 17th century, English public finance has remained largely unchanged over the preceeding five to six centuries. In particular, since the Norman invasion. While few detailed financial or fiscal records exist for the reigns of William the Conqueror and that of his son William Rufus, there is good record into the reign of his youngest son, Henry I, and principally for all subsequent monarchs. The dramatic improvement in the accuracy and level of detail of records coincides with the introduction of a new fiscal administrative system in England that in its degree of sophistication was likely unparalleled in Europe, and possibly in the world despite the very advanced system in China (Werner, 2013b). Thus, it is fair to assess that some remarkably durable institutions and features persisted since this period until the late 17th century, which were to be completely erased from the institutional arrangements by the early 19th century.

This highly effective fiscal system has been described in detail in one of the first books on the principles of accounting, the Dialogus de Scaccario, written by Richard FitzNigel in 1179. The public finance system was based on the Exchequer, he recounts. This stately institution had the status of a high court wherein the fiscal administration took place. Its operating system was based on single-entry accounting and the high court, the Exchequer, charged the shire-reeves (i.e. the Sheriffs) as accused with the aim to raise tax revenue twice a year. In order to discharge themselves from these debts, the Sheriffs had to either pay in cash, possibly silver pennies, or submit proof of having paid taxes already in the form of the portable Exchequer receipts known as 'tally sticks'. As a result of the elaborate system of issuance, record, audit and archiving to allow verification of authenticity, a sophisticated and robust fiscal administrative system was put in place. Concurrently, this public credit system allowed state beaureucrats to spend beyond the annual tax revenue by obtaining credit from the public via the issuance of receipts of future taxes paid (Werner, 2013b).

These elaborate and public procedures at the Exchequer created a degree of accountability. The audibility element in the public ritual of collecting levies at a time of high levels of illeteracy

[99] As Werner (2016, 2018) discloses many of the contemporary financial terms are reminiscence of the quondam monetary system – stock, audit, etc.

[100] For further information on the positive synergy of monetary and fiscal policy, the reader is invited to study Marco Polo's account of the Kublai Khan's practice in China.

also protected against unrestrained profligacy by elite state administrators. It is likely for this reason that not many generations after Henry I, English monarchs developed a parallel financial accounting system labelled the Royal Wardrobe. Its aim was to provide an escape route from public control of their purse and secure financial independence for the king. This was against their personal promise to repay (North and Weingast, 1989). As monarchs sought freedom in their spending decisions and their fund raising, they apparently began to borrow from bankers such as the Riccardi of Lucca, the Bardi, Peruzzi and Frescobaldi of Florence or in later years by bankers in the Low Countries, notably Antwerp and Amsterdam (Alexandrova 2018; Dickson 1967).

Thus by the time the protagonists of the Bank of England proposition made their moves in the aftermath of 1688, the monetary system in England consisted of a diversity of funding and payment options. It included minting and money changers dealing in specie, merchant bankers issuing promises to pay, other financiers specialising in discounting and trading in bills of trade and of exchange. During the 17th century, the Exchequer also attempted to evolve and move towards a paper-based tax receipt with the priming of the Order of Repayment, as discussed earlier, with the aim to compete with the privately issued promissory notes by the goldsmith bankers in the post-Cromwellian era. Within this universe of private payment and financial instruments concomitantly existed the ancient public Exchequer order that allowed for fiscal quantitative easing that was not fully phased out until the early 19th century.

What, therefore, did the establishment of the Bank of England mean for public finance and the monetary system? It is notable that no goldsmith banker, of whom there were many in the City in the late 17th century, subscribed to the stock of the Bank (Bank of England Subscribers List 1694). A likely explanation is that the newly incorporated and limited liability institution was perceived as unwelcome rival. The Bank's declared purpose since its founding was to provide banking services to the largest customer in existence - the state. This not only implied that the most attractive and lucrative of banking business, lending to the State head, was to a large extent going to be lost but also meant that a powerful new institution had been established that was capable of ultimately displacing the monetary aspects of the Exchequer. As a result, the erection of the Bank pushed back the fiscal possibility frontiers, rendering the state confined to and dependent on private money creators and their lending conditions to secure money (Werner 2013b; Brewer 1988). It has taken until the mid-20th century for this private money monopoly to be reconsidered partially. An outline of the main differences between the two institutional systems are mapped in the table below.

	Public Money System	Private Money System
Issuer	The public (The Exchequer).	Private banks (e.g. the Bank).
Accounting	Single-entry.	Double-entry.
Public debt	Non-existant.	Introduced.
Debt tenure	Short-term ('hand-to-mouth').	Long-term (funded debt).
Guarantor	Personal promise (the King).	Public promise (Parliament).
Debt burden	Light, fell rarely and fell on few individuals.	Increasingly frequent, heavy and falls on many taxpayers.
Profit Distribution	Public (The Exchequer).	Private (Dividends).

Table 5: The Public and the Private Money Systems Vis-a-Vis

To summarise, with the institutional shift in 1694, when public borrowing began to be under-written by private commercial banks creating money *ex nihilo* led inescapably to the formation of a rent-extracting institutional order, governed by pecuniary interests. Since the transition to this new institutional order, the role of the government was reduced to a genuine intermediary which collects and redistributes money and real resources, resulting in the modern-day unequal Anglo-American society (Piketty 2014; Dorling 2014; Stiglitz 2012; Atkinson 2015).[101] Thus, the political actors in early modern England bartered the independence of the country in exchange for private promises-to-pay. The latter were authorised to be *valuta* in the eyes of the public with the state discharging payments to hired troops and assossiated suppliers of military goods.

With the conclusion of the careful examination of the historical record in the spirit of the German Historical School (Joseph Schumpeter, Werner Sombart, Gustav von Schmoller, Max Weber, Étienne Laspayres), the next step is to verify the qualitative findings with the use of statistical methods.[102]

Empirical Analysis

The following section empirically tests two propositions observed in this chapter. The first test examines the less explicitly stated hypothesis that public debt has a significant impact on government income due to its contractual binding character, in contrast to social outlays by

[101] For an analysis on the redistribution of natural resources through paper fraud please see Faust, Part Two by Goethe (1832) and Hans Christoph Binswanger's Money and Magic (1994, 2016).
[102] The surname *Laspeyres* is of Portuguese origin but the scholar's ancestors were Huguenots who settled in Berlin in the 17th century.

governments. The second test stimulates the hypothesis that charges on national debt act as a redistributive mechanism from the many taxpayers to the few shareholders. To do so, we adopt an econometric time series analysis.

Data and Descriptive Statistics

Data extracted from the 'British Historical Statistics' by B.R. Mitchell (1988) is used as the main source for the empirical testing of the two hypotheses. The examined time range covers the period where the Bank was operating as a privately held, profit maximizing enterprise (1694 to 1940) with the exclusion of World War Two period (1940 – 1946) since an extraordinary spike in national debt, tax and expenditure skews computational outputs. The raw data is located in Appendix E. A number of explanatory variables, including expenditure on social security, trade and demographic factors, are tested.

Government Revenue (Dependent variable)

TI = total government income

Key Explanatory variables

PD = public debt

Funded debt charge (FDC)

Control Variables

TI = total government income (lags)

nGDP = nominal GDP

Pop = population

CGE = civil government expenditure

Ir = interest rate

Descriptive Statistics

Table 6, below, shows summary statistics for all variables used in the empirical analysis. As observed in the previous section of this chapter, a negative relationship is evident between the level national outlay for military expenditure and charges on funded debt (see graph 4). It is

also important to note that civil government expenditure has been historically a small proportion of government outlay.

Table 6: Summary Statistics

Variables	Observations	Mean	Std. Dev.	Min	Max
Government revenue	245	0.027339	0.102634	-0.316193	0.702494
Public debt	252	0.039199	0.123436	-0.109830	0.956542
Funded debt charge	252	0.073431	0.547010	-0.383180	7.916667
Interest Rate	253	4.347826	1.105347	2	8
Population	252	0.008121	0.004813	-0.01524	0.016913
Civil gov. exp.	252	0.063157	0.499229	-0.55109	7.266187
GDP	252	0.021883	0.063911	-0.17850	0.293375
Total army exp.	247	0.076489	0.429444	-0.73554	4.108557

Note: this table shows summary statistics for all variables in the growth rate format. However, since the interest rate is a ratio, it remains without change.

Unit Roots Testing and Correlations

Prior to estimating the regression models, it is important to ensure that all the included variables in the regression are stationary. To do so, we perform a Dickey-Fuller unit-root test (Dickey and Fuller 1979). This helps avoid the risk of estimating spurious regressions in the data. Therefore, the growth rates of all variables have been used in order to secure stationarity (because many variables are non-stationary at level). Table 7, below, shows the results of Dickey-Fuller test. For all variables, the test statistics reject the null hypothesis that the time series is a unit-root, hence all variables are stationary after transforming the variables into growth rates. In addition, the null hypothesis is rejected at the 1% level of significance without including constant or trend.

Table 7: Unit Roots Test

Variables (Growth Rate)	Z(t)	No. of Observations
Total government revenue (TI)	-12.317***	244
Public debt (PD)	-7.159***	244
Funded debt charge (FDC)	-38.568***	244
Interest rate (IR)	-8.857***	245
Population (Pop)	-4.434***	244
Civil government expenditure (CGE)	-16.791***	244
GDP	-14.571***	244

Note: this table shows the results of the unit-root test statistics for all variables in the growth rate format. However, since the interest rate is a ratio, it remains without change. The symbols ***, ** and * indicate the levels of significance, 1%, 5% and 10%, respectively.

Moreover, the constructed regressions always feature only one of the variables in order to avoid multicollinearity. Correlation is examined, too. The only two variables that are slightly correlated are public debt and funded debt charges, however, this is hardly surprising since the latter is a function of the former. In addition, for a large timeframe of the examined period, funded debt was the dominant factor in the total public debt. The two variables are not included in the same regression.

Table 8: Correlation

	TI	PD	FDC	TAE	Pop	GDP	CGE	IR
TI	1	-	-	-	-	-	-	-
PD	0.0613	1	-	-	-	-	-	-
FDC	-0.0096	0.3327	1	-	-	-	-	-
TAE	0.1151	0.0218	-0.023	1	-	-	-	-
Pop	0.0309	-0.166	-0.1404	0.0243	1	-	-	-
GDP	0.0031	0.0989	-0.1024	0.0509	0.0997	1	-	-
CGE	0.1923	0.0644	0.0268	0.0774	-0.0178	-0.0528	1	-
IR	0.026	0.073	-0.0204	0.0097	-0.0726	-0.0745	-0.0009	1

Model Specification

The empirical examination of our two hypotheses models the effect of public debt over nearly 250 years (time series) from 1694 to 1940. Based on such long time series data characteristics and statistical tests, an autoregressive distributed lag model with multiple explanatory variables; and hence, Equation (1) represents a general time series regression model. It allows for k additional variables, where q_1 lags of the first variable are included, q_2 lags of the second variable are also included, and so forth for the rest of the variables (Stock and Watson, 2011: 579):

$$Y_t = \beta_0 + \beta_1 Y_{t-1} + \ldots + \beta_p Y_{t-p} + \delta_{11} X_{1t-1} + \ldots + \delta_{1q_1} X_{1t-q_1} + \ldots + \delta_{k1} X_{kt-1} + \ldots + \delta_{kq_k} X_{kt-q_k} + \varepsilon_t \quad \textbf{(1)}$$

The first model (as shown in Equation 2) aims to examine the hypothesis that public debt has significant impact on the amount of annual income that the government needs the raise through tax, as follows:

$$ti_t = \beta_0 + \beta_1 ti_{t-1} + \beta_2 ti_{t-2} + \beta_3 ti_{t-3} + \delta_1 pd_{t-1} + \delta_2 pd_{t-2} + \delta_3 pd_{t-3} + \varpi_1 gdp_{t-1} + \varpi_2 gdp_{t-2} + \varpi_3 gdp_{t-3} + \theta_1 pop_{t-1} + \theta_2 pop_{t-2} + \theta_3 pop_{t-3} + \lambda_1 ir_{t-1} + \lambda_2 ir_{t-2} + \lambda_3 ir_{t-3} + \psi_1 cge_{t-1} + \psi_2 cge_{t-2} + \psi_3 cge_{t-3} + \varepsilon_t \quad \textbf{(2)}$$

where, ***t*** represents the year. The dependent variable is $\boldsymbol{ti_t}$ which represents tax income. $\boldsymbol{pd_t}$ is the public debt as the main explanatory variable of interest. The rest of the variables are control variables to account for other factors that affect tax income; namely, $\boldsymbol{gdp_t}$ is the nominal gross domestic product, $\boldsymbol{pop_t}$ is the population, $\boldsymbol{cge_t}$ is the civil government expenditure, and $\boldsymbol{ir_t}$ is the interest rate. ε_t represents the error term.

On the other hand, the second model (as shown in Equation 3) examines the link between the transfer from the many taxpayers to holders on national debt. In this model, we replace the public debt variable by the funded debt charge variable as the key explanatory variable of interest, as follows:

$$ti_t = \beta_0 + \beta_1 ti_{t-1} + \beta_2 ti_{t-2} + \beta_3 ti_{t-3} + \delta_1 fdc_{t-1} + \delta_2 fdc_{t-2} + \delta_3 fdc_{t-3} + \varpi_1 gdp_{t-1} + \varpi_2 gdp_{t-2} + \varpi_3 gdp_{t-3} + \theta_1 pop_{t-1} + \theta_2 pop_{t-2} + \theta_3 pop_{t-3} + \lambda_1 ir_{t-1} + \lambda_2 ir_{t-2} + \lambda_3 ir_{t-3} + \psi_1 cge_{t-1} + \psi_2 cge_{t-2} + \psi_3 cge_{t-3} + \varepsilon_t \quad \textbf{(3)}$$

where, ***t*** represents the year. The dependent variable is $\boldsymbol{ti_t}$ which represents tax income. $\boldsymbol{fdc_t}$ is the funded debt charge as the main explanatory variable of interest. The rest of the variables are control variables to account for other factors that affect tax income; namely, $\boldsymbol{gdp_t}$ is the nominal gross domestic product, $\boldsymbol{pop_t}$ is the population, $\boldsymbol{cge_t}$ is the civil government expenditure, and $\boldsymbol{ir_t}$ is the interest rate. ε_t represents the error term.

Regression Estimation Results

This section reports the regression results of the main models presented in Equations 2 and 3. Table 9, below, shows that the first lag of public debt is statistically significant. That is to say, the first hypothesis yields the result that last year's public debt is a decisive factor on the amount of government tax revenue in the current year. This finding is hardly surprising once we account for the contractual nature of public debt, where national political bodies are obliged to repay public creditors, including genuine financial intermediaries (pension funds, insurance firms). On the other hand, nominal GDP, irrespective of the number of lags used, is found to

have a significant impact over the dependent variable. Taking into account the nature of the GDP, which is a measure of national income, it is not surprising that it appears as a significant variable as it provides insight on how much of the productivity can be set aside in order to satisfy debt claims. It is, though, interesting to note that a key variable in neoclassical theory, the price of money, to be completely irrelevant throughout the board. More importantly, however, the decision about government expenditure takes no account for civil government expenditure, once again confirming that political institutions are a social construct, which serves the interests of debt holders rather than the wider taxpayers and voters, who they were and are supposed to represent and protect their interests.

Table 9: Hypothesis 1 Summary Results

Dependent Variable: TI	Model 1	p-value
TI (L1)	-0.10237	(0.126)
TI (L2)	-0.14856**	(0.024)
TI (L3)	0.0454	(0.474)
PD (L1)	0.4516829***	(0.00)
PD (L2)	0.0399645	(0.595)
PD (L3)	0.0046309	(0.944)
GDP (L1)	0.234321**	(0.015)
GDP (L2)	0.3733***	(0.00)
GDP (L3)	0.24134***	(0.009)
CGE (L1)	-0.00479	(0.673)
CGE (L2)	-0.01059	(0.368)
CGE (L3)	-0.00868	(0.443)
Pop (L1)	3.525497**	(0.096)
Pop (L2)	-3.94501	(0.173)
Pop (L3)	0.899441	(0.672)
IR (L1)	-0.00639	(0.287)
IR (L2)	-0.00386	(0.537)
IR (L3)	0.002551	(0.674)
Number of Obs.	242	
R-Square	0.4651	
Adj. R Square	0.4219	
F-Stat	10.77***	
Residual	1.31012	

Note: This table reports results from an autoregressive distributed lag model estimation of the effects of public debt on government tax income. The dependent variable is the growth rate of tax income. The key independent variable is the growth rate of public debt. L represents the lag order. The period covers the years 1694 to 1940. P-values of the T-statistics are reported in the third column. The symbols ***, ** and * indicate the levels of significance, 1%, 5% and 10%, respectively.

As for Table 10, below, it shows that the third lag of funded debt charge variable is statistically significant. In other words, the second hypothesis depicts that there is a two-year lag between the funded debt charge and the size of the government income. This is slightly surprising since it was a government practice under the new institutional order to earmark taxes to newly issued government debts. However, taking into account that tax collection by a central authority is

characterised with a heavy bureaucratic process (as partially explained by Max Weber's theory of the bureaucracy), this lag can be well-provided for. Thomas Piketty (2014) also observes a similar trend:

> No tax authority can move that quickly to levy a tax: it is necessary first to establish a taxable base, set rates, pass a law, collect the taxes, forestall possible challenges, and so on.

The contemporary situation with high-earning footballers, particularly in PIGS countries, evidences that lag (Atkinson, 2015; BBC, 2018). Within this empirical framework, it must be noted, a small improvement in the role of political institutions in the redistribution of raised tax income is observed with a slight role played by civil government expenditure. On the other hand, yet again a key variable in modern economics research, interest rates, provides no insight about the volume of revenue raised by the fiscal state.

Table 10: Hypothesis 2 Summary Results

Dependent Variable: TI	Model 2	p-value
TI (L1)	0.1778968***	(0.009)
TI (L2)	-0.0597433	(0.366)
TI (L3)	0.0722613	(0.292)
FDC (L1)	-0.0099442	(0.705)
FDC (L2)	-0.0060772	(0.807)
FDC (L3)	0.0417508***	(0.00)
GDP (L1)	0.4127055***	(0.00)
GDP (L2)	0.458681***	(0.00)
GDP (L3)	0.2349711**	(0.027)
CGE (L1)	-0.0290012**	(0.02)
CGE (L2)	-0.0215844	(0.103)
CGE (L3)	0.0003314	(0.979)
Pop (L1)	1.338111	(0.576)
Pop (L2)	-3.629771	(0.272)
Pop (L3)	1.347217	(0.58)
IR (L1)	-0.0047425	(0.485)
IR (L2)	-0.0017616	(0.805)
IR (L3)	0.0081449	(0.241)
Number of Obs.	242	
R-Square	0.3083	
Adj. R Square	0.2524	
F-Stat	5.52***	
Residual	1.68271886	

Note: This table reports results from an autoregressive distributed lag model estimation of the effects of funded debt charge on national government income. The dependent variable is the growth rate of tax income. The key independent variable is the growth rate of funded debt charge. L represents the lag order. The period covers the years 1694 to 1940. P-values of the T-statistics are reported in the third column. The symbols ***, ** and * indicate the levels of significance, 1%, 5% and 10%, respectively.

Implication of Empirical Findings about the Contemporary Rent-Extracting Institutional Order

Based on our empirical results, but also as illuminated earlier with the qualitative analysis, it can be concluded that the role of the government through its fiscal policy is limited to assuring that interest payments are collected and transferred to public creditors and radical, significant sudden changes in either direction of social security is not occurring but a 'smoothing out' effect is achieved. Downward fiscal policy adjustment, naturally, is more painful for society. That is to say that political actors are obliged with debt contracts to extract sufficient financial resources from a contracting taxable income base (GNP/GDP) to repay interest on national debt to claim holders at the expense of supplying the public with vital services (e.g. healthcare, pension) without seemingly breaking the social contract. This is the underlying reason for a possible social revolution as feared by Stiglitz (2012) since social nets (pension, health service, unionism, protection of workers' rights) introduced in the post-war period, as Piketty (2014) comments, are now slowly eliminated or privatised, while debt payments grow at a faster rate in comparison to national income growth (Adam and Roantree, 2015). In short, Anglo-American capitalism, with private money creation to fund persistent fiscal deficits as its focal point, breeds inequality.

Interest rate compounding is a powerful tool for the extraction of resources from the many to the few as the recent experience of PIGS countries shows. When interest rates (r) charged on national debt outpace economic growth (g), this friction traps countries in debt spirals (Di Muzio 2018), where monetary resources, both income and wealth, are further concentrated in the hands of the few, as outlined in the famous equation developed by Thomas Piketty – $r > g$ (which revives the arguments of his countryman Saint-Simon from two centuries earlier (see Goodhart and Hudson 2018)).[103] This is achieved through a large-scale privatisation and appropriation of pledged collateral under a façade of private property protections enforced by an independent judiciary system.

Given the current low levels of economic growth in the Occident with the excessive cost of government financing, it is hardly surprising to find that income and wealth continues to be exponentially concentrated. A foreseeable result, once the rent-extracting character of the current dominant capitalist paradigm is finally recognised by (neoclassical) economists.

[103] Goodhart and Hudson's (2018) remark mirrors Romans 15:4 – 'For whatsoever things were written aforetime were written for our learning, that we through patience and comfort of the scriptures might have hope'.

> I'm not going to betray my own view, that I honed back in 2010, that this country [Greece] must stop extending and pretending, we must stop taking on new loans pretending that we've solved the problem, when we haven't; when we have made our debt even less sustainable on condition of further austerity that even further shrinks the economy; and shifts the burden further onto the have nots, creating a humanitarian crisis. It's something I'm not going to accept...
>
> Yannis Varoufakis, 2015

As demonstrated qualitatively and quantitatively in this work, the transfer of interest payments on national debt via the government, which is reduced to a true financial intermediary by channelling appropriated taxpayers funds to bank institutions, which subsequently book dividends to a small shareholder base (often through and to tax havens), plays a central role within the contemporary economics puzzle of income and wealth inequality under an allegedly inclusive, pluralistic institutional framework (as observed by Dorling 2014; Stiglitz 2012; Atkinson 2015; Piketty 2014).[104] Charles Davenant (1698: 199-200) recognised the nature of the new institutional order soon after its establishment.

> Where the Publick is indebted, a large Proportion of the Revenues arising from the Annual Income must issue out to the satisfaction of those Debts: from whence it follows, that the Land and Labour of the People, must go to inrich the Mony'd Men and Usurers and not to support the Government … all methods should be us'd to get out of their Hands as soon as possible.
>
> Charles Davenant, 1698, vol.1: 199-200

Our analysis underpins the need to revisit the neo-institutionalist theory (North and Weingast 1989; Acemoglu, Johnson, and Robinson 2006; Acemoglu and Robinson 2012) that political bodies, such as directly elected parliament, dictate and define the rules upon how society and economic organisations, including banking firms, operate. In the process of 'lending' to public bodies (e.g. government, local authorities), banking firms define the rules upon which the advanced funds will be secured and can extract additional benefits, demonstratable with the several examples of the attained privileges by the Bank or alternatively for its shareholders. As normal banking practice requires, spare cash flows (i.e. tax base) must be identified, whilst

[104] On earnings management in the banking sector see Arbak and Smets, 2017 - 'Once the bank-specific factors and the endogeneity problems are addressed, there is a statistically significant positive relationship between provisioning and net earnings levels. This finding suggests that earnings management could be at play…'.

restructuring of the economy is a possibility as a lending condition (e.g. transition economies, PIGS) or as Brewer has put it:

> … providing the government with substantial and regular income was a necessary condition of the new credit mechanisms.
>
> John Brewer, 1988

Since national governments are the only enterprise, which can unilaterally increase its income by raising tax rates as observed by Adam and Roantree (2015), they are well-suited applicants for bank lending. Therefore, once banking firms are properly modelled in the contemporary institutional framework, it is uncovered that these special class economic enterprises, largely denoted as credit institutions, define the rules on how local society functions through their lending terms and conditions to parliaments, which are subsequently cascaded down to other members of society (see Ingham 2004 and Cottrell 1980). On the other hand, monetary resources from a wide tax base are concentrated within the centre of the institutional order.

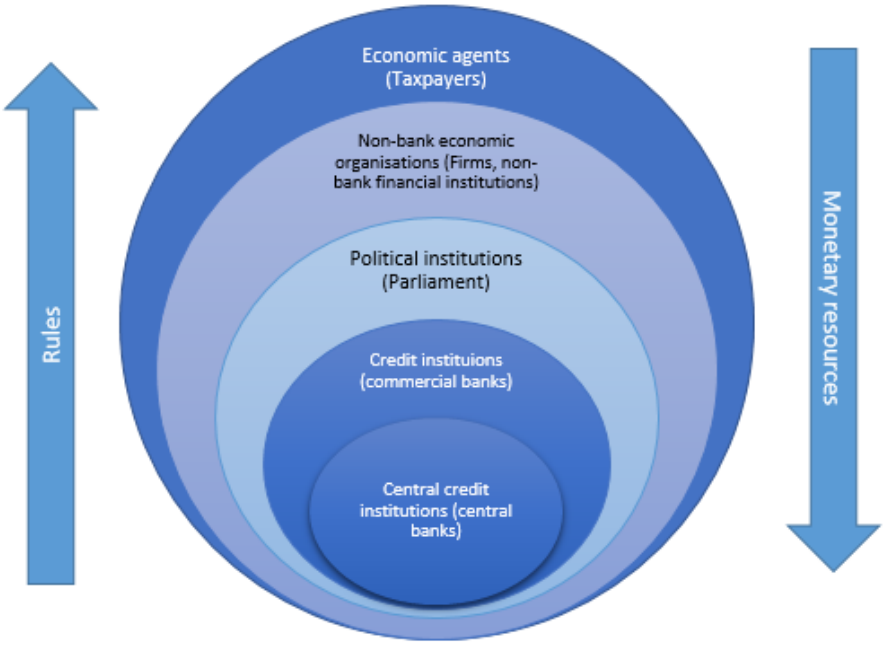


Figure 11: The Governing Institutional Order through Historical Prism

Keeping in mind these empirical findings, policy makers, led by G20 ministers, must commence reforms at once as creating an inclusive and more equitable society is supposedly high on their agenda, which the currently proliferated and widely implemented Anglo-American institutional framework cannot deliver. Kissinger (1994: 27), however, notes that

usually statesmen's decisions are taken under a time restraint unlike intellectuals' analysis. Thus, a truly inclusive and pluralistic institutional framework needs to be formulated and laid for political actors since three centuries (Davenant 1698) have been deficient to recognise a pro-foundly flawed monetary system, where the riches flow from the many to the few.

Piketty's (2014) and Atkinson's (2015) propositions for the ailment of the social cancer are comparable to the contemporary standard medical practice of constantly providing stronger painkillers to patients rather than curing the roots of the illness. While the proposed ideas may provide a temporary hiatus to the malady state of human society, a radical solution is obligatory in order to annihilate this unnatural social virus. The by-now heavily corrupted sprit of society may soon be released into eternal darkness through a last lethal sting. Thus, two-fold radical measures are proposed below.

Policy Recommendations

Repayment and Cancellation of National Debt

In relation to the first task at hand, since the 18th century an erroneous public and academic perception persists that public debt cannot be repaid without recourse to a significant public sacrifice, or that it will take a long time for the existing public debt to be discharged with the current meagre economic growth, spearheaded by Piketty (2014) (Wilson 1913; Hargreaves 1930; Goodhart and Hudson 2018):

> How can a public debt as large as today's European debt be significantly reduced? There are three main methods, which can be combined in various proportions: taxes on capital, inflation and austerity…This reality is obscured by the complexity of the system of financial intermediation: people deposit their savings in a bank or invest in a financial product, and then the bank invests the money elsewhere.
>
> Thomas Piketty, 2014: 541

This view is reinforced by the mainstream political and economic theories that abnegate a positive role for governmental policy (opposite to Atkinson 2015; Piketty 2014; Stiglitz 2012, 2015; Mazzucato 2018) to constrain the large-scale concentration of income and wealth in-equality, while many contemporaries underestimate the income and wealth gap between the elite of the elite and the rest of society (Stiglitz 2012). The modern-day independent judiciary, which is enforcing debt contracts, will probably insist on the thorough repayment of national

debt to creditors or those who Lord Lothbury (2016) has labelled as the 'gods of finance'.[105] David Ricardo, the father of classical equilibrium economics and one of the most successful bond dealers in human history, articulated comparable arguments in his magnum opus 'On the Principles of Political Economy and National Taxation':

> Justice and good faith demand that the interest of the national debt should continue to be paid, and that those who have advanced their capitals for the general benefit, should not be required to forego their equitable claims, on the plea of expediency.
>
> David Ricardo, 1817

Charles Goodhart and Michael Hudson (2018: 13) continued this train of thought:

> Nowadays, a very large proportion of all financial transactions are intermediated via financial institutions. Any attempt to cancel some category of debt, say government debt or personal mortgages, would immediately drive those financial intermediaries holding such assets, e.g. banks, pension funds, investment trusts, into insolvency.
>
> Charles Goodhart and Michael Hudson, 2018

A bank 'capital advance', it must be borne in mind, is a legalised accounting fraud, where the 'lender' acquires a signed promissory receipt by the 'borrower', which is then recorded as a long-term asset on the lender's balance sheet. To discharge the principles of double entry bookkeeping (Sombart 1911; Werner 2003, 2005, 2014, 2015, 2016), a matching in size, short-term liability charge is recorded on the corresponding side of the statement of financial position, which as the principles of banking entail, starts as a zero-interest bearing instrument (i.e. crediting a current account). This 'maturity transformation' process creates a positive interest margin, which generates the vast banking profits posted year in, year out.[106] By this traffic, charging self-regulated interest margin, in an allegedly competitive, but in reality, an

[105] Probably referring to a statement by Goldman Sach's CEO Lloyds Blankfein in 2009 (Philips, WSJ, 2009). Or as Danny Dorling (2014: 163-4) remarks: 'In the UK, unlike anywhere else in Europe, bankers are protected by law through the Corporation of the City of London, which is governed by a plethora of unelected bodies including the Worshipful Company of International Bankers. The only place in the world where similar if even more bizarrely named bodies can be found is the US, where organisations such as Kappi Beta Phi operate. This is semi-secret fraternity that was founded at the start of the Great Depression, around 1929, and which include among its members 'both incredibly successful financiers (New York City's Mayor Michael Bloomberg, former Goldman Sachs chairman John Whitehead, hedge fund billionaire Paul Tudor Jones) and incredibly unsuccessful ones (Lehman Brothers CEO Dick Fuld, Bear Sterns CEO Jimmy Cayne, former New Jersey governor and MF Global flameout Jon Corzine)'.

[106] The recently imposed regulations on funding requirement (NSFR) squeeze interest rate margins for credit institutions, resulting in a decreased profitability. This is particularly worrisome for small banking institutions faced with the constantly increasing regulatory fees (Llewelyn, 2016).

oligopolistic, banking market, income and wealth inequality is seeded (Mazzucato 2018; Ryan-Collins et al. 2013; Stiglitz 2012).

> (The banker) would not be an intermediary, but manufacturer of credit, i.e. he would create himself the purchasing power that he lends to the entrepreneur… One could say, without committing a major sin, that the banker creates money.
>
> Joseph Schumpeter, 1912: 197

Since a substantial part of national debt is still underwritten by private commercial banks with Midas' golden touch, national governments are well advised to strike off such portions via a jubilee or a 'deror' as defended in the (populist) Holy Bible (as it ought to be classified – see Goodhart and Hudson (2018)).[107,108] Michael Hudson (1993) illuminates that debt erosion is an archaeological fact.

> … it was specifically on this principle of restoring freedom to debt-slaves and unburdening the land that Christianity elaborated its ideas of redemption.
>
> Michael Hudson, 1993:10

> Indeed, what turns out to be ironic in studying the history of Near Eastern legal practices is that precisely those parts of the Biblical narratives that hitherto have been most in doubt – the laws of cancelling debts, freeing debt servants and redistributing the land to its traditional users – turn out to be the most clearly documented Bronze Age legacy.
>
> Michael Hudson, 1993:13

It is thus discovered that the contemporary 'inclusive, pluralistic' capitalist system, unlike the institutional order of Biblical times, based on which the practice of compounding interest was reintroduced, has not provisioned for cleansing of modern-day debt slates – which was every 50 years.

> And ye shall hallow the fiftieth year, and proclaim liberty throughout the land unto all the inhabitants thereof; it shall be a jubilee unto you; and ye shall return every man unto his possession, and ye shall return every man unto his family.
>
> Leviticus 25:10

[107] Midas is a legendary Greek king who turned everything he touched into gold.
[108] The Hebrew word translated as "liberty" in the Leviticus text is deror (Hudson, 1993: 14)

With the help of the compounding power of interest, over the last few centuries, an exponent-tially increasing amount of wealth and income have been concentrated in the hands of the top brass (Alvaredo et al. 2018; Tcherneva 2014; Piketty 2014; Dorling 2014; Atkinson 2015; Stiglitz 2012, 2016, 2017).[109] But how could the perpetual fund be repaid, as was the Biblical practice without a major recourse to public sacrifice?

The credit crunch in 2008 when fewer loans were written than repaid resulted in a contraction of the money supply, which deflated the asset bubble, is a pertinent example. The Turkish economist Öncü (2018: 10) comments: 'money gets destroyed when a non-bank counterparty pays its debt to or purchases an asset from a bank.' Vera Dianova (2018: 148) recounts that: 'Broad money is thus created by the banking sector via the issuance of new loans and is destroyed when borrowers repay those loans, an action that is reflected on the lending bank's balance sheet as a cancellation of a loan entry and a decrease in deposits (assuming, for simplicity, that the deposit used for repayment has been accumulated at the same bank which originally issued the loan)'. The Bank of England's economists (Mcleay et al. 2014) disclose other methods, where bank deposits are destroyed. Broad money is destroyed when credit institutions sell assets (such as Treasury securities) to the non-bank sector, an action that decreases the deposit bank balance of the counterparty purchasing the asset and increases the reserve balance of the selling bank with no corresponding deposit created elsewhere. Thus, the repayment of 'loans' destroys 'capital advances' made by bankers, in the prevailing credit-debt capitalist order (Ingham 2004; Wray 2014; Bell 1998).

With this intimate gen of the debt-credit relations and accounting techniques exploited in the contemporary capitalist order, it is then a permissible thought that governments may issue usury-free money to repay those layers of national debt owed to banking concerns without the need to resort to a great public sacrifice. To all intents and purposes, this disappearing act of modern-day debt slates, recorded on private liquid screens (Ryan-Collins et al. 2013), will be a reprehended public policy by thoroughbred financiers, who now uncontrollably ruleth over the world. An overdue relief of taxpaying society, affording it a brief respite, will be deliver-ed at zero cost.

Alternatively, by adopting the Marxist prism of industrial relations, where wealth represents the appropriated surplus value of the employees' output (Marx 1867), then a variant solution may be theorised. In a Carnegian-style philanthropic entrepreneurship (Harvey et al. 2011;

[109] The Holy Bible classifies charging interest rates as the second major sin, with murder being the first.

Maclean et al. 2017a; Maclean et al. 2017b; Maclean and Harvey 2016), the concentrated base of income and wealth holders in modern society (Dorling 2014; Cassis and Wojcik 2018) can bequeath their ineffable riches to sovereign wealth funds, which may act as sinking funds (Dickson 1967) operating with the aim to reduce the public tax burden. The transfer of money from one part of society to another will be gradually jettisoned whilst reducing the stark difference between the *haves and have-nots* (Marx 1867).

Either of the adopted approaches to reduce the public debt overhang will automatically result in an increase in the disposable income of individuals, households, firms and nation states. With a creative destruction of public debt, the majority of Occident taxpayers will be granted a better standard of life – afford better quality goods and services, which no longer will be subject to an excessive taxation. This will be a much better economic measure to boost the quality of life of low and middle-income families than the recent 'tax reliefs' introduced in the US and Europe since most of these benefits, in reality, enrich top bracket income earners. With the substantial tax relief on goods and services, there will be no need for the introduction of UBI to support struggling economic agents, or for this matter taxable income for children (Atkinson 2015). If some taxpayers are satisfied with their life standard, they would be able to scale back working hours without sacrificing quality of life as Keynes (1930) envisaged. In the future, thriftier taxpayers may seek earlier retirement in order to help with childcare. This will be a mild contribution to the solution of the contemporary demographic problem by permitting less expensive child care to young couples and higher reproduction rates.

A Decentralised System of Banking to Alleviate Inequality and Promote Functioning Democratic Societies: A Utopian Dream or a Viable Alternative?

Banking operations are instrumental for the smooth operations of society and the economy. It provisions credit and savings facilities with current accounts, where daily transactions are settled for example. Any eloquent, in-depth assessment makes the centrality of banking operations in human relations abundantly clear. The critical socio-economic institutions of money, credit and banking therefore must feature in any future institutional arrangements. In Inghamian terminology: 'Money expands humen society's capacity to get things done ... but [money and credit] can … be appropriated by particular interests' (Ingham 2004: 20).

> We shall deal with our economic system as it is and as it may be modified, not as it might be if we had a clean sheet of paper to write upon.
>
> Woodrow Wilson, Inaugural Speech, 1913

Thus, the clean slate (opposite to Wilson 1913) will need to operate under an alternative, decentralised system, which spreads the benefits of credit creation in an equitable fashion, as recognised by one of the representatives of the little-known English Historical School, Sir Francis Bacon, where an enterprising clique of top financiers will no longer be influential.

> And money is like muck, not good except it be spread. This is done chiefly by suppressing or at least keeping a strait hand upon the devouring trades of usury.
>
> Sir Francis Bacon, Former Attorney General and Lord Chancellor, 1625: 46

A desirable feature of the new institutional design will also be the incentivisation of entrepreneurship and the return of skilled workers into the real economy (Lord Lothbury 2016). With these aims at hand, while experimentation may play a role in reconceptualizing institutions governing money (Feichtner, 2018), it is more suiting, as required by the principles of the (English and) German Historical School, to scrutinise the results of institutional framework of developed countries, which have not created intolerable levels of inequality in the process of economic development.[110]

By studying Gini coefficient data, which measures the average income ratio of the richest to the poorest percentile, we find that Rhenish-style capitalism excels, as defined in the *varieties of capitalism* literature (Goergen et al. 2012) (though two supplementary terms are oft interchangibly used – the German coordinated system and stakeholder capitalism, see Piketty (2014)). The German institutional paragon, drawing heavily on the Christian and social democracy principles, has managed to produce equitable society, manifested with the example of a lower count of high-paid bankers in the leading European economy in comparison to London and Great Britain at large (Cassis and Wojcik 2018).

This equitable social order has been credited to the endogenously-established parsimonious, effective and granulated constellation of community banks. The two-tiered stakeholder bank

[110] The legal scholar Feichtner (2018: 905) purports in her recent article on the legal origins of money that 'In devising new institutions [of money], experimentation must point the way. Experimentation already today characterizes much of monetary policy.' In contrast, we contend that instead of allowing experimentation to lead the policy debate, a careful study of successful historical examples with (experimental) tailoring to the cultural, sociological and political context of countries will produce a much better outcome (see Schmidt, Seibel and Thomes, 2016 for a discussion on the importance of tailoring stakeholder institutions to the local context).

system is leveraged to prioritise financing of the real economy over speculative gambling (i.e. stock market), which promotes social cohesion and economic well-being (Goodhart and Jensen 2015; King 2016; Mullineux and Terberger 2006; Lord Dahrendorf 2001).

> Germany has established financial institutions that are not only successful in themselves, but at the same time promote social cohesion. That is the great accomplishment of the savings banks. The savings banks are exemplary models of how to combine increasing economic well-being with freedom in solidarity.
>
> Lord Dahrendorf, 2001

Figure 12: The German Banking Ecosystem

(Source: Wolfram Morales, 2015)

In fact, the community banking system was designed to remedy the ailments of highly unequal society - identical to the modern one. Such institutions were set-up in great numbers, when many local progressives 'turned to concrete, non-political means to aid the working classes' (Guinnane 1997: 253) after the failed mid-19th century revolutions in order to solve the growing impoverishment of local communities. Ayadi et al. (2010: 28-29) observe that all of 'these cooperatives strictly followed three fundamental principles: they were self-help institutions, relied on solidarity, and were self-administering small financial intermediaries … These cooperatives, which adopted the common name Volksbanken (people's banks), mainly operated in urban areas'.

In current times, studying OECD countries, Chiaramonte et al. (2013) confirm the positive impact of cooperative banks. These financial firms stabilise the modern-day highly-volatile pecuniary system: 'Unlike published claims that blame the fragility of banking systems on the presence of non–profit-maximising entities, our main finding is that cooperative banks have explanatory power for stabilisation during the crisis years, but only above a certain market share threshold' (Chiaramonte, Poli and Oriani 2013: 491).

Ferri et al. (2014) demonstrate that cooperative banks contribute to reduce credit supply volatility in European countries. In a comparative study between the British and German financial sectors, Wojcik and MacDonald-Korth, employing data for the 2008 –2012 period, analyse the impact of the subprime and Eurozone crises. They find that 'in the UK, the sector contracted, and its spatial concentration increased across regions and urban hierarchy, with London as the sole winner'. A replication of the results of earlier amalagamation processes (Garnett, Mollan and Bentley 2015, 2017; Cottrell 1980). On the other hand, the two scholars report that 'In Germany there has been no contraction overall, and no significant change in the spatial distribution of financial employment. We argue that while in both countries forced consolidation and financial re-regulation have acted as centripetal forces, in Germany they have been offset by strong regional and local banking, underpinned by a decentralized state' (Wojcik and MacDonald-Korth 2015: 1033).

A recent study on US county data finds that counties with greater community bank presence have lesser home foreclosures. Fogel et al. (2011) conclude that community banks compared to universal banks and mortgage brokers 'have stronger incentives to originate high quality residential home loans'. Audretsch and Elston (1997) confirm this finding on German market data. Muellbauer (2018) confirms the superiority of the German house system in comparison to the 'broken' English one. This outcome can safely be credited to the decentralised, mutual system of money and responsible lending by the community bank sector:

> In housing affordability levels and volatility, there could hardly be a greater contrast than between the UK and Germany... Residential housing supply has been far more expansionary in Germany and mortgage credit more tightly regulated. A sensibly regulated rental market and stable German house prices have combined to leave the rental sector with over half of tenures. Policy failures in the UK have resulted in widening intergenerational inequality, increased social exclusion, adversely affected productivity and growth and raised the risk of financial instability.
>
> John Muellbauer, 2018

The situation with small business funding is strikingly similar. Studying granular micro data, Mkhaiber (2017) finds that small US banks have larger proclivity to lend more to SMEs, which form the backbone of economies (as recognised in legislation), compared to larger banks (in line with Ayyagari, Demirgüç-Kunt and Maksimovic 2014). Beck, Demirgüç-Kunt and Levine (2005) find a strong positive association between the share of SME labor in the total manufacturing labor force of a country and GDP per capita growth, which naturally enhances the

economic and trade performance of countries. Harhoff and Körting (1998) evidence empirically that many SME German businesses maintain lending relationships with a single bank. In most cases, this is the local credit centre (for an overview of SME financing see Popov 2018). The institutional design of these more-than-profit banking firms, characterised by their local accountability and ownership, transparency and responsible lending policy, creates a resilient banking sector with widespread access to credit. All these positive features culminate in an equitable division of abnormal banking profits.

The success and resilience of the three-pillar banking system is hard to phantom. Contemporary credit rating agencies acknowledge the advantages of the German regional banking system, characterised with solid capitalization, stable public shareholder structure, very high granularity of assets and liabilities, low exposure to vulnerable asset classes, low earnings cyclicality and low reliance on capital markets (Rioural & Dawson-Kropf 2012).

Figure 13: Credit Risk of the German Savings Banks

Generally Low-Risk Characteristics

Risk drivers	Characteristics
Profitability	Strong
Earnings cyclicality	Low
Reliance on capital markets	Low
Exposure to foreign markets	Very low
Exposure to vulnerable asset classes	Low
Granularity of assets and liabilities	Very high
Main funding sources	Retail
Capitalisation	Solid
Shareholder structure	Public and stable
Strategic orientation	Focused and stable
External support ever needed?	Not as group
Overall risk profile	**Low-risk**

Source: Fitch

(Source: Rioural & Dawson-Kropf, 2012)

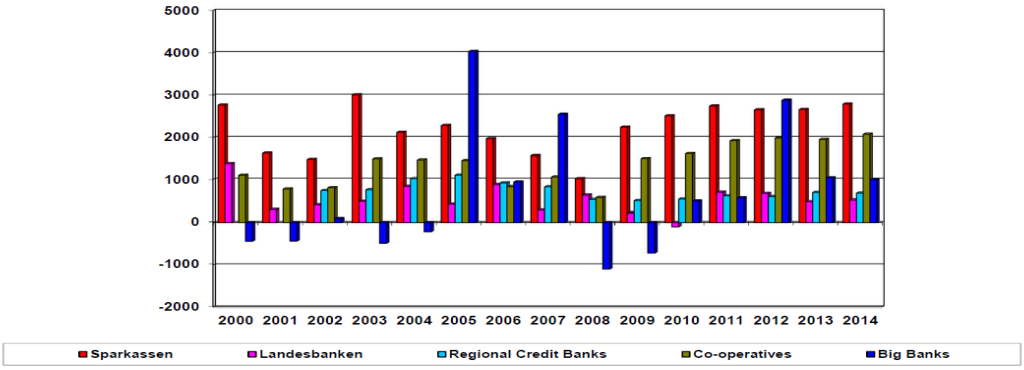
In 2007, the wider social mandate and resilience to crises by the community banking sector was demonstrated, when the group bailed out its peer - Landesbank Berlin AG. A deal, which costed over €6 billion. The action taken by the highly-cohesive group of community banks, labelled as oligopolistic by the private bank economist Choulet (2016), was motivated by their strong reluctance to allow third parties (i.e. private investors) to buy the failing bank or place the burden on the taxpayer:

> Since … the 1970s, no savings bank has ever been liquidated and no creditor has ever suffered losses.
>
> Rioural and Dawson-Kropf, 2012

This is a contrasting picture to the prevelant order of private banks in Anglo-American paragon, despite the large-scale measures taken up by regulators to minimise reliance on the too-big-to-fail (TBTF) firms, which can result in further tax-funded bailouts:

> Resolution is not a magic wand, losses will need to fall on *creditors* [*i.e. depositors*]. Even if we are prepared in advance, stabilasing a large failing bank will not be easy. [111]
>
> Sir Jon Cunliffe, Deputy Governor at the Bank of England, 2017 (italics added)

Figure 14: Taxes Paid by Different Bands



(Source: Deutsche Bundesbank)

The TBTF stance is underscored by the positive impact of community banks on national and local treasuries. The German public banks contribute on average between 2 to 3 times more to the federal budget than the traditional shareholder banks. This positive impact on public financing is due to their holding structure, owned by local public bodies (public universities, city/county councils and other publicly-run administrative bodies), which results in abnormal profits from printing money to circulate and stay within the local economy, not trafficked to 'island tax paradises', a field of specialisation for many international banking corporations (Ayadi et al., 2010). This claim holds truer at times of an economic crisis, when the big banks not only did not pay any taxes but required large scale tax-payer funded bailouts in order to survive (moral hazard argument - Huber and Robertson 2001; Arnott and Stiglitz 1988) and had an inimical impact over customer trust (Llewellyn 2005, 2014) without accounting for earnings management for tax (avoidance) purposes during times of prosperity.

Bank reforms in the UK and the USA have failed to address the roots causes of the Global Financial Crisis– a calamity which has its origins in the profligate and irresponsible actions of a substantial number of firms and bankers, urged on by a banking culture that was and still is at its core fundamentally self-serving (Llewellyn 2016). Banking in the leading English-

[111] A zero-cost enhanced debt-management solution has been developed and advanced by Richard Werner (2014), endorsed by the doyen of monetary economics Charles Goodhart.

speaking nations has lost its ethos. Instead of a culture that prioritises its own self-interest, it should look towards fulfilment of a broader common good and its wider social purpose.

A Rhenish style of capitalism may deliver on Lord King's (2016) vision on the return of entrepreneurship as a dominant force in the British economy since income disparity between blue-blooded financiers and successful entrepreneurs will be narrowed. As a result, talented youth will be incentivised to pursue a fulfilling career in the industry - engineering, education and medical studies, where an acute need for specialists exists worldwide at the expense of career in speculation.[112] The reallocation of talented human resources to productive purposes will remedy the worsening trade position of Great Britain. New inventions may be financed through the unencumbered balance sheets of the new decentralised regional banking system as outlined in the first quantity theory of credit, developed by Richard Werner (2005), which Stiglitz (2016b) recently re-invented. This approach will also deliver on Goodhart and Jensen (2015) proposition of shortening the maturity transformation in the banking book.

Since Britain does not enjoy rich natural resources base, raw materials must be imported from resource rich countries to be processed to finished goods with higher-value added, which are then sold on the international market. By this fair trade and labour, in similar fashion to the East Asian (Japan, Korea, China) and German example, the British adverse trade position on the international market will be remedied, whilst paying foreign denominated debt off.

The Anglo-American Capitalist System	The German Coordinated Capitalist System
Concentrated banking market	Decentralised banking market
Require large-scale taxpayer backed bail outs	The system of saving banks deals with failing institutions, costing the taxpayer zero.
Transactional lending (fit-in-the-credit-model)	Relationship lending
Tax evasion and avoidance (offshore)	Taxes paid locally
Prioritise speculative betting and large corporations	Prioritise financing of the real economy and the SME sector
High staff turnover	Low staff turnover
Volatile credit supply	Soothing credit supply
Widespread homelessness	Lending responsibly on the house market
High income and wealth inequality	Low income and wealth inequality
Adverse trade balance	Positive trade balance
One vote per dollar invested	One vote per investor
Questionable business ethics & transparency	Highly-regarded and respected
Low trust from the general public	One of the trusted institutions in Germany

Table 11: The Anglo-American and German Capitalist Systems Vis-a-Vis

[112] Speculation on the stock market has zero contribution to wealth creation and economic development since it is a zero sum game.

Structural Reform of the Banking Sector

The structural reformation of the Anglo-American institutional model is long overdue. In 1682, Lewis proposed a system of English local banks of issue to be established, which were to return interest income to local society with the aim to support the common good (e.g. infrastructure, hospitals, and schools). His proposition is strikingly similar to the model of the stakeholder capitalism, which was designed only two centuries later in Germany. Instead of spreading the benefits of money creation, a centralised institutional system, which channels resources to a miniscule portion of society, was established in England by a tight group of radical Calvinists by the turn of the 20th century. The (re)introduction of a regional-based banking system in England may be a non-partisan and apolitical method to remodel society without the need to recourse to social revolution (Stiglitz 2012; Cottrell 1980). Society seems prepared to support a transition to such a truly inclusive institutional framework (Oxfam 2017).

In an experiment, drawing on the pervasive informational asymmetries, the general public was queried about which division of income distribution is preferable. The vast majority chose Sweden's (which is similar to the German) over the highly unequal Anglo-American, skewed in favour of the record keepers of society. An Oxfam (2017) study confirms this observation. It displays that over three quarters of population deem the current level of economic inequality as unacceptable. Two-thirds of respondents share the view that the gap between the very rich and poor needs to be addressed either urgently or very urgently. Any such transition to a more just institutional framework, Stiglitz (2012) warns, is to be met with a strong opposition from vested interests though some political actors share the view that the social order, and in particular - inequality, ought to be addressed (Cable in Mance 2018). The still prevailing lack of genuine actions from political actors to address such concern of their alleged electors only reinforces the view that apolitical measures must be taken by setting up local systems of credit, where a wide cross section of society accrues the benefits.

With the recognition of the inimical impact of privately-held commercial banks over the social order and economy, it is then prudent that some of their privileges are to be aloofed. A radical measure may be the confiscation of their limited liability status and its transformation into unlimited liability which is a recent phenomenon (see Cottrell 1980).[113] This major institutional change will compensate for the abnormal economic rents or special, subsidised profits gained

[113] The limited liability banking firms are a relatively new phenomenon, which coincides with the legalisation of private money creation (i.e. the establishment of the Bank of England) (Hamlinton and Parker, 2016).

by private shareholders (Huber and Robertson 2001; Stiglitz 2012, 2016a). This is a fitting solution to the present day negative symbiotic relationship between private and public interests, where the taxpayer, represented by the government, assumes the risk to the limit of the deposit insurance schemes), while the concentrated shareholder base of the banking firms assumes the profits (paraphrasing Stiglitz 2016c).[114]

The structural reformation of institutions governing money can be amplified, as Friedman oft propounded, by the disbandment of central banks and the assignment of several monetary experts onto treasuries. These technocrats will be responsible for the administration of the money supply. Concomitently, a return to the ancien regime of unified monetary and fiscal policies will be achieved as under the quondam order (FitzNigel 1179; Werner 2013b). By modern standards, this radical institutional change will also remedy the position of the ill-abused terminology on *central bank independence* (Goodhart and Lastra 2018; Agur 2018) to its original meaning as Forder (2003: 297) expounds: [115]

> The Federal Reserve is 'independent', but contrary to opinions often expressed, it was not intended by its creators to be free from political control, although others involved in the debate over its establishment hoped that it would be. 'Independence' was independence from banking interests, not government.
>
> James Forder, 2003:297

If we recall, the concentration of too much power in the hands of a few people, as a Bank of England leading proponent recognised, is a dangerous game. An imminent threat that credit creation will soon be concentrated in the hands of unaccountable independent central bankers exists, fiercely supported by chief economics columnist of the FT Martin Wolf (2014) and grass-root guru Ben Dyson, formerly of Positive Money and now of the Bank itself (Benes and Kumhof 2012; Laina 2015). The reliability and success of over-centralised, planned economic systems, as proposed by current-day proponents of the idea, is evident from the recent failure of the communist economies (as Janos Kornai predicted).

Thus, in lieu of the promulgated top-down approach of a command economy, scholars must weigh the advantages of system of credit elasticity and the importance of proximity between

[114] See the solutions imposed by Troika on the PIGS countries (Werner, 2014); IMF imposed solution to Ukraine's banking crisis (Bershindsky, 2016); and solutions provided to banking crisis in the last 100+ years (Reinhart and Rogoff, 2008).

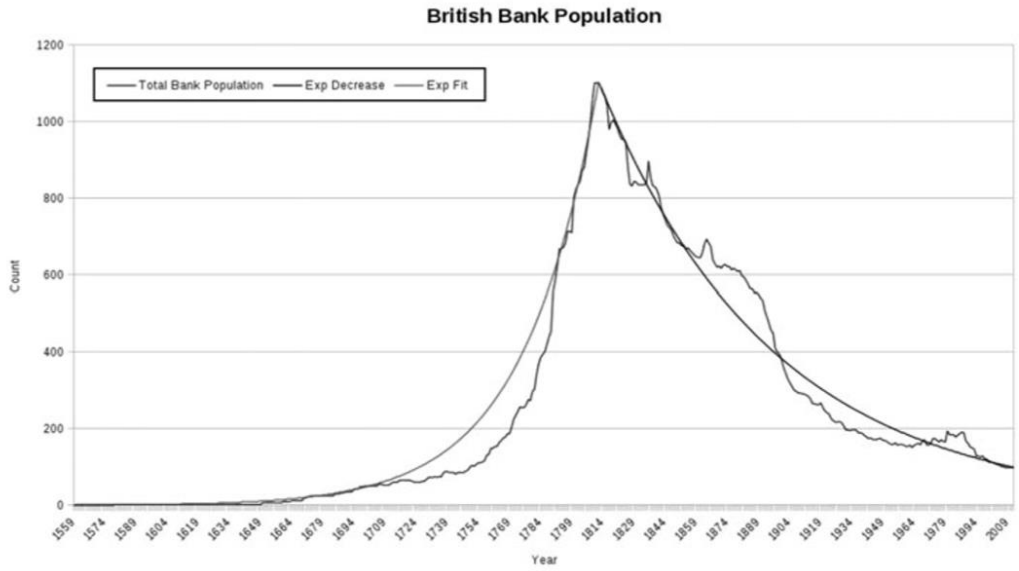
[115] The intellectual war between President Andrew Jackson and financier Nicholas Biddle on the role of central banks in society may also be of interest to the reader.

debtors and creditors in order to understand better the former's business requirements and the market dynamics under which they operate. All of these important variables for successful bank lending are impossible to be accurately modelled in the transactional lending methodology adopted in centralised, beurucratic bank systems (Cottrell 1980; Schmidt, Seibel and Thomes 2016). Thus, a client-centred bank model needs to be introduced. Thus, the leading contenders in the race to deliver inclusive, sustainable economic growth, whilst promoting social cohesion and solidarity, are the community banks, which are to act as local centres of *faith* which will allow the spurring of economic activity amongst the local populace.

It could even be speculated that the vast amount of country banks of the British Isles, as they are euphemistically known, were the engine behind the Industrial Revolution (1760 – 1840), not the Bank (in line with Coffman et al. 2013; Cox 2015, 2017; Sussman and Yafeh 2006). The increasing number of local banks in this Industrial Revolution period were drawing on their knowledge of local customers and their creditworthiness, financing the expansion of entrepreneurial activities and as a result national output (Cottrell 1980). This decentralised industrial planning through the lending policies of the growing number of countryside bank concerns was lost with the commenced centralisation of banking in London-based head-quarters towards the latter end of the 19th century. This process gave rise to the domineering transactional lending approach which still troubles the British trade performance.

> …there was a growing disquiet in Edwardian England over the role played by banks and that by the 1900s the nature of British bank lending had undergone a major change …[the] influential and responsible local banker …[was replaced] by the more mechanistically trained branch manager, less well informed on local matters and closely controlled by his general manager, whose sanction must normally be obtained before the grant of an advance of any considerable size'
>
> P. Cottrell, 1980: 237

Graph 6: British Bank Population (1559 – 2009)



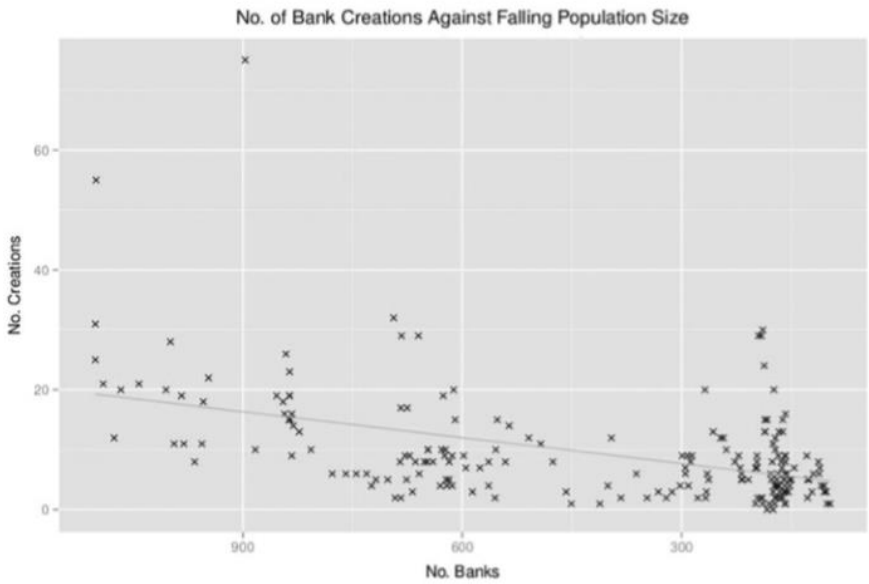
(Source: Garnett, Mollan and Bentley, 2015: 184)

In contrast, the intra-industry links of the rising number German banks during the corresponding period through their direct memberships on the boards of local industries, next to bank funding for growth strategies, played a vital role in the ascent of the industrial complex in the Bundesrepublic. With their close ties with the industries, the pro-active German banks promoted vertical integration across the industrial branches – coal, iron, steel, automobiles, etc. The banking sector often dispersed the ownership of floated private firms to a wide cross section of society through secondary placements (Cottrell 1980: 242 – 244). This achieved the dual goal of promoting diversification of assets across the social spectrum and relatedly lessened the income and wealth inequality in society. At the other end was an assessment of the UK institutional order 'Something else is at work promoting concentration and impeding diffusion' (Roe, 2003: 5).

This stark co-evolution in lending policies adopted by the emerging decentralised German banking sector and the centralising English system, along with their contrasting interactions with the industrial complex, permitted for the displacement of the English industry by the German one as the principal European economy (List 1841). It is then fair to assess that since the turn of the 20th century, British society has been given a final *coup de grâce* (Garnett, Mollan and Bentley 2015) with the increasing number of entry barriers through the curse of regulatory power over the bank market, which ensures the continuity of the institutional status quo into perpetuity (Djankov, La Porta, Lopez-de-Silanes and Shelifer 2000; Mazzucato 2018: 115-116; Schmidt, Siebel and Thomes 2016; Garnett, Mollan and Bentley 2015). Until a strong and *en mass* decentralisation movement is inenacted capturing a significant part of the bank

market, the division of economic fortunes in England and elsewhere with akin institutional arrangements will see little hope for betterment.

Graph 7: No. of Bank Creations Against Falling Population Size



(Source: Garnett, Mollan and Bentley, 2015)

The Disremembered 19th Century Reform Plans in English Public Finance

But has any one with credible expertise on pecuniary matters dared to propose such a radical reforms?

There are two such famed economic highbrows of the 19th century. One is David Ricardo with his plan about the nationalisation of the Bank and public debt, published posthumously in 1824. His proposal is not subjected to further scrutinisation in this inquiry as it mirrors to a large degree the other proposal that is less known to academics but examined here – that of William Gladstone. The latter is one of the most successful English public administrators, serving as a Chancellor of the Exchequer for 10 years out of his 33-year span (1833 – 1866) in the political life of the country. He is probably the most prominent antagonist of the privately-owned Bank of England along his tutor Robert Peel (Clapham 1944).

During his public service period three Bank Charter Renewal Acts were passed under three prime ministers but still no such act was passed when he held the reins of the high office, which forced him to pursue alternative strategies to remedy the ill-state of English public financing. By the time he took over its management, the lower classes could barely afford basic food necessities from sugar and tea to cheap gloves (Dickson 1967) owing to the numerous customs levies introduced in the preceeding century to pay off the interest on the exponentially rising

perpetual fund as we discussed in the History of Taxation sub-section of this chapter. Gladstone himself provides an account about the experience of his initial relationship with the Bank when he aimed to remedy this social adversity.

> From the time I took office as [C]hancellor of the [E]xchequer I began to learn that the state held in the face of the Bank and the City an essentially false position as to finance. When those relations began [in 1694], the state was justly in ill ordour as a fraudulent bankrupt who was ready on occasion to add force to fraud. After the revolution [of 1688] it [the government] adopted better methods although often for unwise purposes, and in order to induce monied men to be lenders it came forward under the countenance of the Bank as its sponsor. Hence a position of subserviency which, as the idea of public faith grew up and gradually attained to solidity, it became the interest of the Bank and the City to prolong. This was done by amicable and accommodating measures toward the government, whose position was thus cushioned and made easy in order that it might be willing to give it [the Bank] a continued acquiescence. The hinge of the whole situation was this: the government itself was not to be a substantive power in matters of finance, but was to leave the money power supreme and unquestioned. In the conditions of that situation I was reluctant to acquiesce … I was tenaciously opposed by the governor and deputy governor of the Bank, who had seats in parliament, and I had the City for an antagonist on almost every occasion.
>
> William E. Gladstone, undated fragment in John Morley, 1903, vol. 1: 650-651.

Thus, the astute statesman attempted to end the government's subservience to the said ‘agency of the government’. Gladstone was an advanced autodidact and as such read he voraciously - on finance, on banking, on taxation, on general economics, on trade, on warfare and on double-entry bookkeeping and amongst other moral philosophical readings (Caernarven-Smith 2007). Drawing on these insights, he oft challenged the institutional status quo with the aim to better the position of the struggling British populace.

After his demise amid his papers two lists of envisaged structural reforms were found. Both featured a plan to remove the banknote issuance department from the Bank and replace such private money creation with public note issuance within a finance ministry whilst the remnants of the private banking concern were to remain as part of the government. Concurrently, the shrewed politician planned to abolish the income tax. He had probably noticed, drawing on his

exhaustive reading, the positive correlation between private money creation and public debt serviced by the general public through taxes. Further evidence, ideally both hard and soft if we recall the principles of homogenous and heteregenous historical research (Renier 1951; Carr 1990), to substantiate this hypothesis building is though needed.

Conclusion

This chapter demonstrates that money creation to fund warfare causally incurs inequality and drives a large proportion of the national output in a few hands. That is to say, from the presented qualitative historical analysis, it is found that a key contributing force to the accumulated public deficit were military conflicts, which led to the rise of the fiscal-military state (Brewer 1988; Eisenhower 1961). In this context, the government during a period of peace discharged a key role in the redistribution of resources, through the collection of taxation from the larger part of society and transferring a substantial part of the fiscal proceeds to a miniscule part. President Madison, much like William Gladstone, spotted this positive correlation between military warfare, taxation and inequality:

> … James Madison condemned war as the germ of all evils – as the precursor of taxes and armies and all other 'instruments for bringing the many under the domination of the few'.
>
> Henry Kissinger, 1994:31

The paper proposes an easy-to-implement solution for lessening the public tax burden whilst defraying income and wealth inequality through cleaning of ('liquid') debt slates (Hudson 1993; Ryan-Collins et al. 2013). The downside of the application of the proposed solution is limited to a few groups with vested interest in keeping the institutional equilibrium intact. The squeezed windfall in the hands of the high priests of money will ominously hinder their ability to manipulate markets, politics, media and as a result their control over society (Cioffi 2010; Kawas 2017; Tolstoy 1904; Pernell 1832; Davenant 1698; Werner 2003).[116]

The position of public and private finance will, by definition, improve should money creation be returned to a wider ownership, in the form of a decentralised local banking system, and money creation is applied solely for productive purposes (see Werner 2005). Within this model, customer loyalty will be incentivised by the fact that local deposits will circulate the local

[116] Cioffi (2010) finds that government regulation of the last few decades is championing financial interests.

economy and thus creating a virtuous economic cycle. Instead of a capital drain out of the local communities, new bank lending will place emphasis upon productive lending, which will contribute to the wider benefit of the regions by stimulating the real economy and creating jobs in the process, whilst local taxation is paid. In other words, a community bank sector will offer a clean slate to customers that are dissatisfied with and lost trust in the large banks.

A decentralised, inclusive ownership structure of the banking system by a wider cross-section of society will permit a more direct and equitable redistribution of the excessive, abnormal profits generated from the lucrative business of money printing and allocation. This task proved burdensome to political scientists, theoreticians and practitioners but posits in the epicenter of virtually all proposed solutions on inequality (Wolf 2014, 2018; Piketty 2014; Atkinson 2015; Wolff 2012). Therefore, a truly functioning democracy-based society will be created only once local communities are allowed to create and allocate their own credit without the need to be indebted to central authorities drawing resources from the periphery to the centre as the Bank of England had done for over 250 years.

Since G20 leaders are prioritising the creation of a pluralistic, inclusive institutional framework worldwide with the aim of sustainable, green and equitable economic growth, the German coordinated market economy, with its local, regional banking system as the focal point of its capitalist spirit, is a promising avenue for pursuit by transition, developing and advanced economies, exhibiting uneven distribution of wealth and income. By establishing such network, operating a huge system of locally issued credits and debits, claims and debts, which facilitate the daily business of production and consumption (Schumpeter 1912), in conjunction with the reformation of industrial relations at the workplace and the incentivisation of entrepreneurship, an equitable society will be created, where a few individuals will be unlikely to exert abnormal levels of influence (Bourdieu 19996; Lux et al. 2011; King 2016; Wolff 2012).[117]

With the key knowledge about credit creation in mind, it can safely be concluded that without the transformation of central banks, which are relatively new phenomena (Pringle and Mahate 1993), into museums of human gullibility and the creation of a truly pluralistic, inclusive institutional framework with a pluralistic banking system through non-partisan movements, it

[117] This institutional framework may be supported with the strategic allocation of credit in the real economy (e.g. reassessing the Basel capital ratios with reduction of requirements on SME lending, already taken into account by CRD V)), the introduction of strategic protectionist policies, which guarantee clients and profits for local enterprises, whilst improvement in production capacity is created by a fiercely competitive domestic market with little to no barriers of entry. Flexible exchange rates are also a prerequisite in order to boost trade competitiveness of the products and incentivise the local production of goods and services in case of currency devaluation.

is likely that inequality will be ingrained deeply in the tissue of society.[118] The effort may be supported with a radical transformation of the protected legal status of private commercial banks, which enjoy abnormal returns at good times, while the taxpayer bears the losses during downturns (paraphrasing Stiglitz 2016c).

Decade	Number of Central Banks	Decade	Number of Central Banks
1900s	18	1950s	59
1910s	20	1960s	80
1920s	23	1970s	108
1930s	34	1980s	137
1940s	41	1990s	161

(Source: Pringle and Mahate, 1993)

Table 12: The Rise of Central Banking during the 20th Century

Despite the fact that this short survey has outlined recommendable structural reforms, it still requires supplementary development in order to ensure that a functioning democratic system of checks and balances truly operates. This industrious task, unfortunately, requires additional work. Nevertheless, with a high degree of certainty, centralisation of the monetary system, as recommended by some, is ill advised as this will guarantee a rigid social pyramid exhibiting a large degree of social immobility, particularly at the apex of the social pyramid.

[118] The 2016 Global Shapers Survey, organized by the WEF, captured young professionals' views on implanting chips in human brains to boost productivity, with results remaining unreported. On the other hand, the survey reported that the majority of respondents declined the proposition to grant rights to undefined humanoid robots, which may well be economic agents with 'boosted' capabilities (see Appendix D for empirical evidence).

Conclusion and Future Research Tasks

By rising to the challenge posed to business historians by Maclean, Harvey and Clegg (2016) about the creation of '*historically informed theoretical narratives* whose validity derives from both historical veracity and conceptual rigor, afford dual integrity that enhances scholarly legitimacy, enriching understanding of historical, contemporary and future-directed social realities', this doctoral work, it is hoped, has managed to achieve namely these momentous tasks. A summary is presented in the next few paragraphs.

More importantly, this inductive-based socio-economic examination has attempted to extend this emerging research framework to the realm of monetary economics and macroeconomics. The latter two have been dominated by the deductive, axiomatic methodology since the post-war era, King (2018: 21) succinctly annotates. The observant reader will have noted a reverse dimension in the adminstered presentation in the last two chapters of this inquiry in comparison to the conformist principles in economics research. That is to say, that a conscious attempt has been made to present the archival, historical facts or narrative first followed by a theorisation or an analysis segment. Through this methodology, where empirical reality plays first fiddle, tangible contributions to the field of socio-economic science can be transacted (King 2018). As a result, this work attempts to revive the approaches first developed and advanced by Continental economics thinkers, known nowadays as the German Historical School, but which seem to have been forgotten, or in the very least obscured in the modern day, despite the endorsement by prominent scholars:

> …the challenge is to learn from the past to create this new economics and politics of the future.
>
> Joseph Stiglitz, 2016

This doctoral thesis has also passingly addressed two important but undervalued aspects of the dominating (Walrusian) economics research - centred on the *consequences* of money and escorted by the average, faceless, immortal, self-interested, all-knowing, economic agent (Menger 1871; Marshall 1890; Lucas 1972; Samuelson 1946). Against the current of prevailing economics wisdom, this work deals in-depth with the *origins* and to a lesser degree the social *nature of money* (Ingham 2004; Wray 2014; Keynes 1930, 1933; Werner 2003, 2005), ushered by a *sociological study* into the incipient benefactors of the new world order (dominated by private money and public debt). A clear, better apprehension of these two climacteric aspects

by the wider academic community has considerable implications not only for resolving the inequality conundrum, but also about laying the foundations for creating real-world economics and social institutions for shared prosperity.

In the spirit of these research principles, Chapter 1 documents clearly that a small fraction of City institutional entrepreneurs, who had the financial means to bear the high transaction costs of a portentous institutional recalibration and sufficient social capital, had envisaged, contributed and benefitted by the creation of a private, note-issuing corporation lending money to the government on the security of increasing public taxation. It was found that it was the French Church community of Threadneedle Street that stood behind the erection of the Bank, both led by John Houblon and his merchant princes. It was established that political actors of the highest pedigree (i.e. Chancellor of the Exchequer Charles Montagu and Willem van Oranje styled King William III since 1688-9) were utilised as political intermediaries to lobby for the establishment of this special class of economic institutions by and on behalf of these private merchant interests. To supplement the lobbying effort, the Whig framers engaged actors with lesser financial and social capital such as Paterson but outstanding public relations capabilities to relay the carefully-honed business vision to the general public and policy facilitators with opposing worldly views, whilst omitting any reference to the note-issuing powers of the new firm. The sociological findings about the leadership of the Bank corroborate Max Weber's (1905) renowned hypothesis on the Protestant origins of capitalism.

Chapter 2 debunks the one-sided neo-institutional analysis presented by Douglas North and Barry Weingast (1989) in relation to the institutional change that materialised in the post-Revolution England for the benefit of a group of '*faceless winners*'.

First, the institutional analysis, by utilising primary and secondary sources, corrects North and Weingast's erroneous definition of business activities undertaken by the Bank. The credit institution was founded not to intermediate existing purchasing power as alluded by the two notable scholars (1989: 825). We find that the institution created money *ex nihilo*, which were lent to the state at interest on the security of increased public tax burden. The compounding element in the contractual business of lending money subsequently allowed the newly-founded institution to appropriate larger amounts of revenue from the national coffers in the hands of a concentrated shareholder base (Dickson 1967; Clapham 1944; Piketty 2014; Goodhart and Hudson 2018), whilst extending its temporary charter and augmenting privileges (Broz and Grossman 2004). In other words, the new institutional framework allowed 'to pile "taxes upon

taxes, and debts upon debts" so that "a small number of families" could gain "immense wealth"' as Steve Pincus and James Robinson (2011: 31) observed, also.

The following section presented an analysis of the correspondent banking techniques applied by senior management in order to 'remit' the money it advanced to the Treasury. The delivered (Bank)notes were soon found to be useless financial (debt) instruments for the payment of the British army fighting in the Low Countries. This situation required the services of the newly-established institution to be employed to address this international payment problem. The careful analysis of primary and secondary evidence illuminates that the Bank was once again engaged in the business of issuing promissory notes when facilitating the request to 'remit' the money to the British army paymaster. This finding is consistent with the theory of early modern correspondent banking advanced by Neal (1991) in his study on the rise of finance capitalism. This important empirical finding has finally been linked properly with contemporary policy implications from a macroeconomic viewpoint as the principles of credit, money and banking have seen but little change. The many developing and transition countries as well as countries experiencing fiscal problems (e.g. PIGS) are ill-advised by the current supranational institutions to borrow at the international markets, since there is no flow of money and capital. Merely an exchange of account entries between the record keepers of society materialises. Promises to pay (IOUs) can and are still created through bank lending. These nation states are thus advised to create their own (preferably spread) system of money and credit without the recourse of public indebtation to a central, exogenous authority.

While the omission of true business practice of banking houses may be perceived as a major point of concern about the quality of the analysis presented by the two influential scholars (North and Weingast 1989), they have remarkably managed *not* to incorporate important contextual details of the institutional change in 1688-9. Chapter 2 attempted to remedy any such unintentional informational asymmetries by employing historical organisation study in the narrating mode (Maclean, Harvey and Clegg 2016, 2017).

Thus, the political events, which led to the replacement of the legitimate English king, James II Stuart by a foreigner – the Dutch Stadtholder Willem van Oranje – who occupied London with a vast army of mercenaries, funded by Amsterdam banking houses, brought over by a navy armada, four times the size of the famous Spanish Armada of 1588, whilst justifying the invasion with a carefully-honed written political manifesto, were analysed. With the careful revisiting of the Anglo-Dutch moment, which was consigned to oblivion, a string of *faceless*

winners of the institutional alteration were successfully identified. These actors benefitted immensely from the shift in the political and subsequently institutional equilibrium since they were found as major investors in the newly-established private banking firm. A more rigorous sociological study drawing on the preliminary outputs presented in chapter 2 along with the incorporation of relevant findings outlined in the previous chapter may enrich the inadequate scholarly understanding of the origins of the dominant capitalist spirit.

Chapter 3 inductively investigates the rise of fiscal-military state, which secured the transfer of income from one larger part of society to another. This reallocation of funds allowed the latter to generate excessive savings and thus stockpile ineffable fortunes, estates and wealth (which recent central bank policies allow only to blossom (Goodhart and Hudson 2018; Stiglitz 2012, 2017). In addition, the research chapter contrasts the current tax intensive state, characterised with frequent levies laid upon consumers and producers, with the quondam institutional order, where dues, duties, tolls and tithes came rarely, fell lightly, and fell on few individuals as Hirst (1985) records.

The qualitative historical research is propped by a parsimonious econometric analysis, which corroborates the premise that debt charge payments on national debt act as a redistributive mechanism from the many taxpayers to the few (Bank) shareholders. Therefore, the state has exceedingly discharged the role of a true financial intermediary, where it unilaterally seized the fruits of the taxpayers' labour and channelled the appropriated funds to the hands of a small group of shareholders, owning the credit institution underwriting national deficits through fiduciary note issuance. With national debt continuing to be subscribed to by private credit (creating) institutions, this study proposes a two-fold solution in order to alleviate the widening income and wealth disparity in society.

The first part consists of the repayment of national debt without the need to recourse to great public sacrifice through the Biblical process of cleansing of debt slates (or *'deror'*). This policy envisages states to issue debt free money, which will creatively destroy the 'capital advances' painstakingly made by bankers, whilst discharging the principles of double-entry bookkeeping and honouring debt contracts. An alternative through the erection of sovereign sinking funds funded by philanthropists is also developed (Maclean et al. 2017; Maclean and Harvey 2016). With the liberation process of debt slaves through either of the two channels, a tax relief will instantly descent upon the public, which currently experience a squeeze on its life standard. In

part - owing to the freeing of financial markets in the 1980s in the U.S.A. and U.K. (Stiglitz 2012, 2015, 2017; Atkinson 2015, Piketty 2014; Galbraith 2012; Mazzucato 2018).

The second commended public policy envisages the limitation of the public-private partnership in banking through a structural reform. With money and credit an integral part of societal functioning since time immemorial, an institutional order which is designed to spread their benefits on an equitable basis is bid. The Rhenish style of capitalism with its highly efficacious regional bank system at its heart is found to excel at delivering the task at hand, whilst overpowering the devouring trades of usury. In fact, the institutional design of the German regional, public bank system was planned to alleviate namely the curse of economic inequality and poverty, whilst encouraging manufacture and entrepreneurship in the mid-19th century. Thus, modern-day international institutions are better counselled to advance the stakeholder paragon to developing and developed states at the expense of the shareholder-centred Anglo-American. The latter is markedly leveraged to concentrate income and wealth in the hands of the few.

This radical change in the arrangements of the pecuniary system may be supplemented with a change in the legal status of private banks (Cottrell 1980). At any rate in the current state of affairs, it is fair to gauge, the concentrated shareholder base of the gigantic private banks assumes the profit, while taxpayers assume the risk (paraphrasing Stiglitz 2016).[119] This reform will enhance the attempts to dislodge the convenient position of a hand-picked economic agents doing God's work and relishing immense riches at the expense of the rest.

King (2016) passingly remarks that a shift in the correct direction of the ruling institutional order necessitates an intellectual revolution. This process is hindered by the dominating post-Keynesian DSGE modelling, which has so far failed to model banks and money appropriately (King 2018; Offer and Soderberg 2016).[120] Despite the failure of some economists to move beyond this vain type of economic modelling (Hendry and Muellbauer 2017; Romer 2016; Blanchard 2016a, 2016b, 2017a, 2017b, 2018; Vines 2017), there are indications of a modest

[119] Though probably discharging its corporate social responsibility, Barclays managed to solve its own capital problems by lending money to offshore investors, who subsequently recapitalised the failing bank (i.e. liability swap of regular deposits created ex nihilo to bank capital). For more details on the mechanics please see Dianova (2018) or McLeay et al. (2014).

[120] Offer and Soderberg (2016: 32) concur that 'DSGE came to dominate academic macroeconomics and was implemented and consulted by central banks all over the world. The attraction is orthodox premises of rationality and equilibrium, but these unrealistic premises limit their reliability and accuracy…after three decades of efforts, these models continue to perform poorly empirically. Practioners concede this… They [the models] failed to anticipate the 2008 financial crisis, not least because they typically left out the financial sector." Modern macroeconomics tortures data to demonstrate consistency with an a priori world view"'.

intellectual revolution within incumbent central banks.[121] They have finally atoned that modern private banks of e-money create and allocate new deposits in the process of lending. As a result, expiations that balance sheets are more important explanatory variable in the successful implementation of monetary policy, and thus the management of the national economic performance than the price of money, were quick to follow. This process is though marred by the misnomer of forward guidance which once again places emphasis on interest rates.

> Money creation in practice differs from some popular misconceptions — banks do not act simply as intermediaries, lending out deposits that savers place with them, and nor do they 'multiply up' central bank money to create new loans and deposits.
>
> Mcleay, Radia and Thomas, Bank of England Quarterly Bulletin 1, 2014: 14

> Bank lending is at the heart of the money creation mechanism: monitoring developments in the bank lending is key to the definition of the monetary policy stance and its conduct.
>
> Banque du France, 16th March 2018

With the reparation that new purchasing power is printed and allocated by commercial banks, a hastened solution is proposed with the examined Bank of England's economists and policy makers at its forefront. This is namely that all money creation and thus allocation must be centralised only within the hands of independent technocrats (Wolf 2014; Benes and Kumhof 2015; Dyson and Jackson 2012; Huber 2014). A move to a Walrusian-style purely credit economy and the abolishment of cash seems inevitable (Stiglitz 2017b; Rogoff 2016).[122] An Orwellian world order is thus more likely to befall upon society than Stiglitz (2012) first anticipated:

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[121] The foremost econometrics expert Sir David Hendry and his Oxford colleague John Muellbauer provide strong criticism of the still dominant DSGE modelling at central banks: 'We provide a general critique of DSGE models for explaining, forecasting and policy analyses at central banks, and suggest new directions for improving current empirical macroeconomic models based on empirical modelling broadly consistent with better theory, rather than seeking to impose simplistic and unrealistic theory.' For a further critique on DSGE modelling see Romer (2016) and Offer and Soderberg (2016). Though, it must be admitted that there is a positive evolution of thought amongst leading economists that 'all should be built on solid partial equilibrium foundations and empirical evidence' (Blanchard, 2018) Therefore, it must be expected that a significant rise of interest in history by economists since this is the only field where empirical evidence can be gathered.

[122] Schumpeter (2006: 718): 'The English leaders from Thornton to Mill did explore credit structure, and in doing so made discoveries that constitute their chief contributions to monetary analysis but could not be adequately stated in terms of the monetary theory of credit. But they failed to go through with the theoretical implications of these discoveries, that is, to build up a systematic credit theory of money...'. A string of earlier economists, bankers and lawyers have also recognised that credit theory of money and that banking firms issue new money in the process of lending, the most prominent of which are John Law (1705), David Ricardo (1824) and Henry Macleod (1889).

> The big puzzle we presented in the last chapter was how, in a democracy supposedly based on one person one vote, the 1 percent could have been so victorious in shaping policies in its interests. We described a process of disempowerment, disillusionment, and disenfranchisement that produces low voter turnout, a system in which electoral success requires heavy investments, and in which those with money have made political investments that have reaped large rewards – often greater than the returns they have reaped on their other investments.
>
> Stiglitz, 2012: 183

> BlackRock and Vanguard Are Less Than a Decade Away From Managing $20 Trillion: Imagine a world in which two asset managers call the shots, in which their wealth exceeds current U.S. GDP and where almost every hedge fund, government and retiree is a customer.
>
> Evans, Willmer, Baker, and Kochkodin, Bloomberg, 4th December 2017

A large part of society has little to nothing to lose. The bottom 40 per cent has virtually zero net wealth using Atkinson's (2015) methodology - assets minus liabilities. Yet, life has never been better for them (Auken 2016). Unlike the money dons, the majority of economic agents spend most of their lifetime, currently stressed, at work, not politicising or influencing public policy.

> Job engagement, according to Gallup, is low. Distrust in management … is high. Job satisfaction … is low and has been in continual decline. The gig economy is growing, economic insecurity is growing, and wage growth overall has stagnated. Fewer people are covered by employer-sponsored health insurance than in the past... And a strikingly high percentage of people, even those covered by insurance, say they forgo treatment and medications because of cost issues. I look out at the workplace and I see stress, layoffs, longer hours, work-family conflict, enormous amounts of economic insecurity. I see a workplace that has become shockingly inhumane.
>
> Jeffrey Pfeffer, 2018

With social mobility virtually non-existent (see OECD 2018; Valentini and Larsen 2018; Woolley 2018) in the prevailing 'inclusive and pluralistic' capitalist order, characterised with the high concentration of ownership of many key industries in the hands of the few (Stiglitz 2012, 2015, 2017; Dorling 2014), the great transformation of the modern social order to

‘nondemocratic societies … controlled by a rich elite’ may soon be complete, appropriating the last few liberties remaining to an overworked and overburdened with tax society, if active measures to counter-balance the prevailing economic and financial power houses are forsaken (Acemoglu 2001: 938; Aslund and Djankov 2014).[123]

In fact, the transition has commenced. Black Rock engaged in accelerating foreclosure action against struggling American subprime borrowers in the aftermath of the GFC. These actions, Bill Erbey, founder of Ocwen Financial (the biggest subprime mortgage servicing company), classified as a ‘covert criminal conspiracy … [with the] specific intent and purpose of gouging enormous profits from the forced foreclosures and confiscation of the homes of hundreds of thousands of struggling families across the United States’ (Murphy 2018). Within this context of an invisible class war, active non-partisan measures must be undertaken to avoid an unfavourable unfolding of events. As a result, Katharina Pistor’s (2017) logic on the definition of sovereignty supplied in the legal journal *Theoretical Inquiries in Law* may be employed in order to secure community sovereignty:

> It has long been recognized that control over monetary affairs is a critical part of genuine sovereignty. In this Article, I go a step further and argue that the relevance and importance of territorial versus monetary sovereignty has shifted in favor of the latter…. This, then, is the predicament of sovereignty in a world ruled by money. Money and monetary sovereignty are not flat, but hierarchical. Countries that lack their own currency or access international lending markets only by issuing sovereign debt in foreign currencies find themselves at the bottom of the hierarchy. Among the handful of countries that retain monetary sovereignty, those that come out at the top are the ones ablest and willing to offer a helping hand to private money in times of crisis. Countries on the periphery are beholden to private money and can at most hope for a helping hand from countries at the apex of the system. Yet only those whose stability may pose a threat for monetary sovereigns can rely on this help.
>
> Katharina Pistor, 2017

Her reasoning reflects Keynes’ (1930, 1933) earlier writings (where he probably draws on his Babylonian madness era (Wray 2014)) which sadly have been discarded by many societies and

[123] This statement is assuming that economic agents are working, though this may not be the case with over 50% of southern European youth, predominantly in PIGS countries, finding itself outside the workforce. This dire social situation has major repercussions for the transfer of skills and knowledge between generations and thus future success of the EU economy in an increasingly competitive international environment with the return of East Asian Tigers.

their international advisors. Numerous nation states are now served by foreign commercial banks regularly on the advice of the latter, with them ironically a creation of Keynes' later thoughts and entrepreneurial activities.

> I sympathize, therefore, with those who would minimize, rather than with those who would maximize, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel - these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and, above all, let finance be primarily national.
>
> John Maynard Keynes, 1933

On the top of the policy freedom scale are nations which have paradoxically mastered the refined interplay between private money and public indebtation through the enforceability of fiscal policy in local currency (Ingham 2004; Tcherneva 2016; Wray 2004). An opposing state of affairs is observable in states which have not managed to endogeneously develop and enforce an own currency, or in the very least propel a healthy group of locally-headquartered private banks of deposit issue, to employ its (idle) population in the real industry and enforce tax upon them. Their downfall can be invigorated by the lack of an apt industrial policy, chiefly through the bank lending channel, and flexible exchange rates (Stiglitz et al. 2013; Wade 2012, 2017; Cottrell 1980; Werner 2003, 2005; Palotai 2017). The historical record shows that such lands are doomed to limited economic growth and subsequent disintegration through emigration (Werner 2003; Tcherneva 2016; opposite to Becker 1985 and Djankov 2014).

Figure 15: Modern Monetary Regimes and Policy Space

Nonconvertible sovereign free float (and dirty float)	Greatest policy space
Pegged float (crawling band, crawling peg, horizontal band)	.
Fixed exchange rates	.
Currency board	.
Dollarization	.
Monetary union	Smallest policy space

(Source: Tcherneva, 2016:20)

A transition to genuine community sovereignty, characterised with own money system, will alleviate the current failed state of (neoliberal) capitalism to fulfil its promise to deliver on the *liberté, égalité, fraternité* principles since industrial relations have seen but only formalisation compared to seemingly different modes of the production process – master and slave or feudal and serf. The process of diffusing ownership of money, credit and banking may be enhanced

by a truly democratic, cooperative process in the workplace (Wolff 2012) and active bottom-up fiscal policy aimed at full employment and better income distribution (Tcherneva 2013, 2016, 2018).[124] Only with a true monetary democracy with a wide cross ownership of the banking firms, these high social promises can be delivered. Thus, a transition to a local money system, akin to the German regional banking system will take back a society put on the road to serfdom, enslaved through the invisible doubly chains of money and debt, and return its freedoms.

If the alternative, a federalisation of the EU with 'democratically' elected president, is to be introduced, a new legal entity will be created in the context of greatest levels of indebtedness. These freshly-adjusted field characteristics may occasion for new, supranational debt to be issued, which will allow new layers of taxes to be levied upon the then federalised society. A pertinent source of state income to service the federal debt will be children's taxable UBIs (proposed by Atkinson 2015). If we recall chapter 3, earmarking debt with tax sources was a standard practice for centuries. The change in the institutional status quo will certainly reduce the wider tax base to, in Marxist terminology, *proletariat*, particularly for misbehaviour.[125,126] Nay, worse, it will train the next generation of workers accustomed to the natural tendency of income and wealth disparity, where levies will be an indispensable part of life, keeping them at bay through the magical attributes of money as Leo Tolstoy (1904) explained more than a century ago:

> In modern times, since the discovery of America and the development of trade… the monetary tribute becomes, with the enforcement of political power, the chief instrument for the enslavement of men, and upon it all the economic relations of men are based… If I tried to invent a most telling illustration of how in our time the peremptory demand

[124] See the success of Mondragon in the Basque country (Oxfam, 2017: 32) – "Mondragon is a Spanish multinational cooperative operating in sectors such as industry, finance, retail and via its university, research and development, and knowledge creation. It is owned by its workers, has a turnover of almost €13bn and employs 74,000 people. Decision-making is democratic, and its governance encompasses a general assembly of elected members. It has famously promoted job security (often via job sharing and redeployment) and egalitarian pay scales, with the highest paid earning no more than nine times the lowest paid". To reiterate, the proposal is not suggesting the replacement of privately appointed managers with state appointed managers as was the case behind the Iron Curtain, which admittedly produces worse results.

[125] The already very successful lobbying efforts by financial interests (Stiglitz, 2012, 2015; and Atkinson, 2015) will be further eased since the political decision-making process and planning will be concentrated. Naturally, rents extracted from policy facilitators on pan-European level yield higher returns since passed legislation will impact a much larger proportion of society.

[126] Goodhart and Hudson (2018): 'The sum would be withdrawn if the beneficiary was found guilty of a criminal act prior to vesting (and over the age of 11); this would be a worthwhile disincentive to bad behaviour.' Therefore, incentivising and training youngster to be compliant with the existing system as otherwise it will be impossible for such persons to get on the property ladder or indeed obtain a higher education.

> of money has become the chief instrument for the enslavement of one class of people by another, I could not discover one which would be more glaring and more convincing than this true story, which is based on documentary evidence and took place recently.

The contemporary well-educated economists with advanced, deductive models are unaware of his splendid inductive-based research on the economics of money, inequality and poverty, where the great philosopher provides a telling account of how the colonial conquerors (the Americans) demanded a monetary tribute from the locals (Fijians) and their leader (King Cacabo). Not before too long, the great majority of indigenous people were reduced to workers on the plantations of the colonists in exchange of a scanty wage to survive.

> [The Polynesian Company] taking upon itself the debt (raised overnight from $45,000 to $90,000) to the American government and binding itself to pay it off in instalments, the company received for it, according to the first agreement, one hundred thousand, and later two hundred thousand, acres of the best land of its own choice, the freedom for all times from all taxes and revenues for all its factories, plants, and colonies, and the exclusive right for a considerable time to establish banks of issue, with the privilege of an unlimited issue of notes… After the conclusion of the pact and the foundation of the powerful Polynesian Company, its [Fiji's] financial condition was changed. A considerable part of the best land in the possessions passed over to the company, and so the taxes were diminished; on the other hand, as we know, the company had obtained a grant of a free import and export of all commodities, by which the revenue from customs was also reduced. The natives, that is ninety-nine hundredths of the population, had always been poor contributors to the customs revenue, as they hardly used any European commodities, except a few stuffs and metal objects; but now, since by the grant to the Polynesian Company the wealthier Europeans were freed from the customs revenue, the income of King Cacabo became completely insignificant, and he had to bethink himself of its increase. And so Cacabo began to take counsel with his white friends as to how he might avert the calamity, and these advised him to introduce the first direct levy in the country, and, no doubt in order to make it as little cumbersome for himself as possible, it was to be in the shape of a monetary contribution. The levy was established in the form of a universal or head tax, to the amount of one pound for each man and four shillings for each woman on all the islands. As we have said, payment in kind and barter even now persist in the Fiji Islands. Very few natives possess any money. Their wealth consists exclusively in all kinds of raw products and flocks,

> and not in money. But the new tax demanded that, at certain stated periods of time, money be paid, which, when added up, amounted to a considerable sum for a head of a native family. Heretofore the native had been accustomed to no individual imposts in favour of the government, except personal obligations; all the levies that were made were paid by the Commune or the village to which he belonged from the common fields, from which he received his main income. There was but one way left for him, — to seek money from the white colonists, that is, to turn either to the trader, or the planter, who had what he needed, — money… The result of this order can be easily imagined. From the 150,000 subjects Cacabo collected only £6,000; and so there begins an intensified extortion of taxes, which was unknown before, and a series of compulsory measures. The local administration, incorruptible before, very soon made common cause with the planters, who began to manage the country. For arrears the Fijians were taken to court, and were sentenced, in addition to the payment of the costs, to incarceration for periods of not less than six months… Very soon, in the period of a few years, the picture of the economic condition of Fiji was completely changed. Whole prosperous districts were half depleted of their population and extremely impoverished. The whole male population, except the old men and the feeble, were working away from their homes, on the plantations of the whites, in order to provide themselves with the money necessary for the payment of the tax or to satisfy the decree of the court. The women in Fiji do hardly any agricultural labour, and so, in the absence of their husbands, the farms were neglected or entirely abandoned. In a few years half the population of Fiji were turned into slaves of the white colonists.
>
> Leo Tolstoy, 1904

The reduction of Fijians to a poverty state through the attributes of money is disaggregated by the Russian philosopher in several stages. His main contribution, sketched in the excerpt above, is the demonstration that money (or what is usually referred to as *finance capital*) was, and still is, an immensely powerful political device to appropriate the output of those, who possess none of it.[127] With the new social order in place, concentrating the fruits of labour of the workers in the hands of the few colonists, the endogenously developed Fijian order of organised produc-

[127] A review by Stanford Business on the most recent book by Jeffrey Pfeffer (2018), which was cited above, reads: 'In one survey, 61 percent of employees said that the workplace stress had made them sick and 7 percent said they had actually been hospitalised. Job stress costs US employers more than $300 bn annually and may cause 120,000 excess deaths each year. In China, 1 million people a year may be dying from overwork. People are literally dying for a paycheck. And it needs to stop.'

tion was a reminiscence – ‘a nation capable of work and of development, which they have proved by having lately become good farmers and stock-raisers’ (Tolstoy 1904).

Though this doctoral research presents a more complex analysis of the institutional evolution to the current state of affairs, the similarities with Tolstoy’s cutting-edge economics analysis can be barely overlooked. A peaceful island nation (England) was to be invaded by the then lords of the seas (the Dutch) and occupied with demands for a monetary tribute to wage warfare and setting up a bank of issue, which posed as suitable field characteristics to burden the tax-free society with heavy dues channelled to a small clique of City entrepreneurs. To halt this exogenous ‘natural’ tendency for income and wealth concentration under the pluralistic, inclusive Anglo-American capitalist order, the set of measures undertaken by German progressives in the mid-19th century can be replicated. This is namely the establishment of a banking sector serving the many, not the few (as propounded by Stiglitz 2012, 2015, 2017). If financialization of the economy continues uninterrupted under the present state of private money creation with concentrated ownership of banking firms, where each money of account (US$, GBP£, EUR€, A$, RUB₽, RMB¥, JPY¥) put into circulation is borrowed at a higher interest rate (Goodhart 2017; Stiglitz 2012, 2015), economic inequality will abruptly grow.

Though much more can be written and researched about the bile nature of the contemporary governing spirit of capitalism (which is nowhere near to be included in the prevailing economics theorising), it is hoped that this doctoral research has managed to meet the high hurdles set by Maclean, Harvey and Clegg (2016, 2017). This incipient enquiry produces probably one of the first accounts not only on the birth of the Bank but also the dominant institutional order, Anglo-American capitalism, by employing the promising and emergant research framework of *historical organisational studies* through its extension to monetary and macroeconomics.

A markedly different form of capitalism put to the service of a broad cross section of society, not the cardinals of finance shepherding messianic duties, has also been proposed in order to avoid social revolution of any kind as dreaded by Stiglitz (2012). An institutional paragon, drawing on the social democracy principles and the German regional banking system as its central themes, can be founded to move societal organisation away from the purpose of self-enrichment to shared prosperity as G20 ministers envision. After all, some organisational forms may and must pursue different strategic goals than the standard neoclassical axiom of self-enrichment postulates a priori.

Limitations of the Research

While providing probably too severe of a critique on key contemporary economics research, particularly into the neglected topic of banking art, this doctoral work itself is also not devoid of flaws and gaps.

To name the foremost of these self-identified critiques, which spring to mind, is the quality of the presented econometric testing. In my view (and my two trusted advisors on this matter Dr Mkhaiber and Dr Lee), by adopting more advanced econometric techniques, a substantial improvement in the quality and strength of results will be attained. Yet, my meagre skills in econometrics are subject to further improvement, which has thus put severe constraints on this aspect of the investigation. Another related point, as Atkinson (2015), through an expert econometrician's lens, highlights in his classic work, is the quality and reliability of the data set utilised to conduct empirical testing. A wider scope of explanatory variables, including testing various data sets, may be utilised in order to test the advanced hypothesis about the current institutional status quo.

With this research centred on the rise of finance capitalism in Britain, when monetary interests first prevailed in the politics of this country (Houblon 1907) it has left little room for analysis of the post-war institutional framework when the most successful large-scale banks in the developed world were nationalised, while a plethora of new central banks sprang up with the beginning of the decolonisation process. This is an exciting research avenue, which has been pursued by some contemporary heterogeneous thinkers (e.g. Di Muzio 2018), but still further investigations are to be in high demand.

An added shortcoming is that the proposed policies to resolve the inequality conundrum have not been properly mapped within the larger framework, led by the modern-day Karl Marx (2014), Stiglitz (2012, 2015) and Atkinson (2015). This is a further task, which also presents the opportunity to discuss at more length why studying a short series data set extracted within the same institutional framework are unlikely to yield insightful policy recommendations, while on the other hand studying long-run data exclusively also presents severe limitations on understanding the origins of inequality. It is precisely the employed *integrationist* approach that can fill the gaps.

The clearer articulation of the propounded *deror* is also an area subject to improvement since (private bank) economists, who already reprehend the successful German community bank

sector, will repeat the unethical exercise of frightening the shackled by debt public about the dire impact of debt cancellation on the economy (Goodhart and Hudson 2018; Huefner 2010; Choulet 2016). Once accounted for the production process of modern-day economics research (see King 2018), aided by Cicero's fundamental (and ever-modern) philosophical question '*Cui bono*', the reader will need no further assistance in identifying profiteering parties should the same institutional order is to remain undisturbed in place.

Grounds for Optimism

Whilst the proposed alternative decentralised institutional framework completely discounts important external factors such as resistance by the top brass including through non-market means (academia, bribery, regulation (Mazzucatto 2018)) it also omits an analysis of the size, timing and rapidity of structural reforms.[128] These are critical features, where the existing literature on the experience of transition countries may provide invaluable insights. On the other hand, as institutional entrepreneurship literature highlights, a wide variety of factors are required for a structural break to be successful.

Most importantly, one can extend Rowlinson and Hassard's thoughts on the creation of successful firms, who are established by 'entrepreneurs who have a vision of how the concerted effort of the right group of people can create a new product or service in the market place', as a guiding light for the successful creation of a prosperous system of money and credit, serving a much broader cross section of society, whilst delivering on sustainable, green economic growth. This task naturally links to the research by Richard Werner (2005) and the disaggregated quantity theory of credit as its locus. Since the present-day capitalist (banking) enterprises exist to enrich the shareholder, not to spread income and wealth to a broad cross section of society, so intensely pursued by political actors of the first rank (G20 Summit 2017; WEF 2017), a radical reform of the institutional arrangements is required.

Yet another turn to economic history may assist in (re)creating sustainable capitalist system, delivering on the said high political goals. A similar rethinking of the economic order occurred in the period after the fall of the Roman Empire:

> …during the medieval period after the fall of the Roman Empire, the Catholic understanding of work evolved. In contrast to early Christianity, wealth now was

[128] For example, the USSS is tasked to safeguard the payment and financial system of the United States ahead of the security of the President, once again demonstrating the true colors of the contemporary institutional order.

> recognized as an opportunity to share … the generation of wealth is viewed as a common good, which has to be shared within the community.
>
> Inauen et al. 2010:8

The economic rationale behind monasteries is identical to that of modern firms: '[to] provide continuous income and secure resources for future generations' (Feldbauer-Durstmueller et al. 2012). Monasteries' economic activity led to the creation and accumulation of great wealth, which, unsurprisingly, provided temptation for misuse by high-ranking monks despite the fact they were serving God (Regula Benedicti, 2006). Thus, historically monasteries had to deal with agency problems as banking firms today (Hudson 1993; Goethe 1795, 1808; Carruthers 1996; Binswanger 2016; King 2016; Neal and Williamson 2014; Blenkfein 2009; Dorling 2014). An average life of nearly 500 years indicates that their approach to the organisation of production may offer insights into the creation of sustainable alternatives to banking firms and capitalism as a whole. Their approach is a pertinent case in displaying the important roles of localism, incomplete contracts, trust, loyalty, common value systems and participation rights in the creation of such an order.

As a valedictory note, the framers of the new decentralized banking system can draw insights from the ownership structure of the Bank, which in reality acted (acts?) as a community bank for City entrepreneurs for over a quarter of a millennium (Smith 1776). With the replication of its 'tried and tested' successful corporate governance structure on a wider basis, key senior managers and all employees within the new institutional paragon may be introduced as shareholders, while all clients must be shareholders too in order to properly align the incentives for good behaviour on both sets of parties.[129] If an alternative approach is adopted, whereby instead of privately appointed senior managers, the state (or other public authorities) appoints senior managers without sufficient direct oversight and accountability, in similar fashion to the policies adopted east of Vienna in the not too distant past, it is unlikely that a gliding transition to a democratic society founded upon the principles of liberté, équité (not égalité) and fraternité will be completed.

> … Inequality patterns suggest that the rise in inequality is not inevitable and point to the importance of policies, institutions, and ideology in shaping inequality.
>
> Novokmet, Piketty, Yang, and Zucman 2018: 113

[129] To avoid the excessive influence of a small clique of (cunning) economic agents to leverage the system in their favour, one vote per investor is recommendable as was the case with the Bank.

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Appendices

Appendix A - Translation from Dutch of a Letter about Money Borrowed in Holland by the Bank of England

"Exhibited 23rd September 1695

We the undersigned James Houblon, William Scawen, and Robert Raworth, Directors of the Bank in London, do hereby acknowledge and declare that, in virtue of the Power of Attorney granted to us by our colleagues in office, for the said Bank, by the direction of the Receiver General, Cornelis de Jonge van Ellemeet, (specially authorised for that purpose by the most worshipful, the States General of the United Netherlands) we have borrowed, negotiated and received from various private inhabitants of this State a sum of Two million Carolus Guilders at 40-half pence each, according to the coinage and currency of the United Netherlands, to be applied by us to the payment of the Army of His Majesty of Great Britain, at present serving in the Netherlands, inasmuch as we cannot dispose of the moneys **(though they are lying ready for that purpose in cash in London))**, **both because we cannot bring them over here in specie except with considerable loss and also because of the notable fall in the exchange and because the Bills of Exchange requisite for the purpose cannot be obtained for dispatch either in London or in Amsterdam**. Wherefore, we hereby expressly renounce the plea of "non numeratae vel in rem versae pecuniae" and all other pleas to which recourse could or would be had, promising to refund,

deliver and pay the said sum of Two millions, with interest thereon at five Guilders per cent. per annum one half in one year from to-day and the other half one year thereafter, punctually, in good valued Dutch coinage, here at The Hague, all free of cost and damage, the said five per cent. interest to be sent every six months to the office of the Receiver General, and His Majesty being moreover respectfully requested and prayed, as we do hereby of His Treasury in the Netherlands to take care that, from half year to half hear, the said interest shall be furnished out of His domains, 14 days in advance, for perhaps the remittance of the same from England may sometimes be retarded for a few days by contrary wind or otherwise; which interest shall commence and begin on the 10th of this current month of September.

By way of further security for the respective inhabitants of the State who have invested their money herein and for the guarantee which have asked of the most worshipful the States General of the United Netherlands, and which they have moreover conceded to us, we have caused to be placed by way of pledge in the banks of the Ambassador of the State of the United Netherlands in London at least Two and a half million Guilders as aforesaid in a good and sufficient Tally belonging absolutely to the said Bank, with regard to which we refer to the receipt given by the said Ambassador; with full authority to His Excellency himself, in default of precise fulfilment of all the foregoing, to cause the said Tally

to the received and to sell and convert the same into money, either by public sale or private treaty without any legal proceedings whatever (which we hereby waive), in order thereby to obtain security for the fulfilment of this foregoing, all the goods and effects of the said Bank and the Company, also our respective private persons and goods, movable and immovable, present and to come, none whatever excepted, subjecting the same and each of them to all rulers, counts, laws and judges. Thus done and executed at Antwerp on the first of September 1695.

(A signature cancelled) (L.S.)

Will. Scawen (L.S.)

(A signature cancelled) (L.S.)

In presence as Notary:

W Cruysse Cross

His Majesty Having seen the foregoing binding deed, and in view of the advantage resulting therefrom, approves and ratifies the same according to its form and contents; promises to cause the said interest to be paid, charging and ordering the Councillor Commissioners of His Treasury in the Netherlands, present and future, to take care that the interest on the capital above negotiated shall be furnished every six months at the General Office of the United Netherlands, on each occasion eight days before the due date, out of the income of His domains, and so to continue to such time until the Two million negotiated as foresaid, together with the interest thereon, shall have been fully satisfied, redeemed and paid. Declaring to have charged and pledged for the same all his domains and goods in the territory of this State and elsewhere, as His Majesty does hereby charge and pledge the same. Recommending the Councillor Commissioners pf the Treasury in the Netherlands, on the other hand, to see to it that the remittance of the aforesaid interest by the Directors be made punctually, always within 14 days after the due date.

Don in the Camp at Ostin on the first of September, 1695. William R. “

Appendix B - Succession Planning at the Bank of England

As it can be readily seen from the table below, only on three occasions did the new Bank of England governor took control of the enterprise without servicing at least a year as a deputy excluding John Houblon's and Catto's governships. It is though important to note that on two of these occasions Sir Gilbert Heathcote took over the governship of the Bank. This highly-hierarchical structure ensured that the shareholders' interests are protected, whilst maximising returns for them. This is relevant finding for the construction of sustainable capitalist firms, where companies pursue profit maximisation.

Table 13: Succession Planning at the Bank of England (1694 - 1949)
(Source: Bank of England List of Governors and Deputy Governors)

Deputy Governor		Governor	
Name	Years	Name	Years
Michael Godfrey	1694 – 1695	John Houblon	1694 - 1697
William Scawen	1695 - 1697		
Nathaniel Tench	1697 -1699	William Scawen	1697 -1699
John Ward	1699 -1701	Nathaniel Tench	1699 -1701
Abraham Houblon	1701 -1703	John Ward	1701 -1703
James Bateman	1703 – 1705	Abraham Houblon	1703 – 1705
Francis Eyles	1705 – 1707	James Bateman	1705 – 1707
William Bouverie	1707 – 1709	Francis Eyles	1707 – 1709
Nathaniel Gould	1709 – 1711	Gilbert Heathcote	1709 – 1711
John Rudge	1711 – 1713	Nathaniel Gould	1711 – 1713
Peter Delme	1713 – 1715	John Rudge	1713 – 1715
Gerard Conyers	1715 – 1717	Peter Delme	1715 – 1717
John Hanger	1717 – 1719	Gerard Conyers	1717 – 1719
Thomas Scawen	1719 – 1721	John Hanger	1719 – 1721
Josiah Diston	1721 – 1723	Thomas Scawen	1721 – 1723
William Thompson	1723 – 1725	Gilbert Heathcote	1723 – 1725
Humphry Morice	1725 – 1727	William Thompson	1725 – 1727
Samuel Holden	1727 – 1729	Humphry Morice	1727 – 1729
Edward Bellamy	1729 – 1731	Samuel Holden	1729 – 1731
John Olmius	1731	Edward Bellamy	1731 – 1733
Horatio Townsend	1731 – 1733		
Bryan Benson	1733 -1735	Horatio Townsend	1733 -1735
Thomas Cooke	1735 – 1737	Bryan Benson	1735 – 1737
Nathaniel Gould	1737 – 1738	Thomas Cooke	1737 -1740
Delillers Carbonnel	1738 – 1740		
Stamp Brooksbank	1740 – 1741	Delillers Carbonnel	1740 – 1741
William Fawkener	1741 -1743	Stamp Brooksbank	1741 -1743
Charles Savage	1743 – 1745	William Fawkener	1743 – 1745
Benjamin Longuet	1745 – 1747	Charles Savage	1745 – 1747
William Hunt	1747 -1749	Benjamin Longuet	1747 -1749
Benjamin Lethieullier	1749 – 1750	William Hunt	1749 – 1752
Alexander Sheafe	1750 – 1752		

Charles Palmer	1752 – 1754	Alexander Sheafe	1752 – 1754
Beachcroft Matthews	1754 – 1756	Charles Palmer	1754 – 1756
Merrik Burrell	1756 – 1758	Beachcroft Matthews	1756 – 1758
Bartholomew Burton	1758 – 1760	Merrik Burrell	1758 – 1760
Robert Marsh	1760 – 1762	Bartholomew Burton	1760 – 1762
John Weyland	1762 – 1764	Robert Marsh	1762 – 1764
Matthew Clarmont	1764 – 1766	John Weyland	1764 – 1766
Samuel Fludyer	1766 – 1768	Matthew Clarmont	1766 – 1769
William Cooper	1768 – 1769		
Edward Payne	1769 – 1771	William Cooper	1769 – 1771
James Sperling	1771 – 1773	Edward Payne	1771 – 1773
Samuel Beachcroft	1773 – 1775	James Sperling	1773 – 1775
James Langston	1775 – 1776	Samuel Beachcroft	1775 – 1777
Peter Gaussen	1776 - 1777		
Daniel Booth	1777 – 1779	Peter Gaussen	1777 – 1779
William Ewer	1779 – 1781	Daniel Booth	1779 – 1781
Richard Neave	1781 – 1783	William Ewer	1781 – 1783
George Peters	1783 – 1785	Richard Neave	1783 – 1785
Edward Darell	1785 – 1787	George Peters	1785 – 1787
Mark Weyland	1787 – 1789	Edward Darell	1787 – 1789
Samuel Bosaquet	1789 – 1791	Mark Weyland	1789 – 1791
Godfrey Thornton	1791 – 1793	Samuel Bosaquet	1791 – 1793
Daniel Giles	1793 – 1795	Godfrey Thornton	1793 – 1795
Thomas Raikes	1795 – 1797	Daniel Giles	1795 – 1797
Samuel Thornton	1797 – 1799	Thomas Raikes	1797 – 1799
Job Matthew	1799 – 1801	Samuel Thornton	1799 – 1801
Joseph Nutt	1801 – 1803	Job Matthew	1801 – 1803
Benjamin Winthrope	1803 – 1804	Joseph Nutt	1803 – 1804
Beeston Long	1804 – 1806	Benjamin Winthrope	1804 – 1806
Brook Bart	1806 – 1807	Beeston Long	1806 – 1808
John Whitmore	1807 – 1808		
John Pearse	1808 – 1810	John Whitmore	1808 – 1810
William Manning	1810 – 1812	John Pearse	1810 – 1812
William Mellish	1812 – 1814	William Manning	1812 – 1814
Jeremiah Harman	1814 – 1816	William Mellish	1814 – 1816
George Dorrien	1816 – 1818	Jeremiah Harman	1816 – 1818
Charles Pole	1818 – 1820	George Dorrien	1818 – 1820
John Bowden	1820 – 1822	Charles Pole	1820 – 1822
Cornelius Buller	1822 – 1824	John Bowden	1822 – 1824
John Richards	1824 – 1826	Cornelius Buller	1824 – 1826
Samuel Drewe	1826 – 1828	John Richards	1826 – 1828
John Palmer	1828 – 1830	Samuel Drewe	1828 – 1830
Andrew Thomas	1830 – 1832	John Palmer	1830 – 1833
Richard Raikes	1832 - 1833		

James Pattison	1833 – 1834	Richard Raikes	1833 – 1834
Timothy Curtis	1834 – 1837	James Pattison	1834 – 1837
John Bart	1837 – 1839	Timothy Curtis	1837 – 1839
John Pelly	1839 – 1841	John Reid	1839 – 1841
William Cotton	1841 – 1842	John Pelly	1841 – 1842
John Heath	1842 – 1845	William Cotton	1842 – 1845
William Robinson	1845 – 1847	John Heath	1845 – 1847
James Morris	1847	William Robinson	1847 (Apr – Aug)
Henry Prescott	1847 – 1849	James Morris	1847 – 1849
Thomson Hankey Jnr.	1849 – 1851	Henry Prescott	1849 – 1851
John Hubbard	1851 – 1853	Thomson Hankey Jnr.	1851 – 1853
Thomas Weguelin	1853 – 1855	John Hubbard	1853 – 1855
Sheffield Neave	1855 – 1857	Thomas Weguelin	1855 – 1857
Bonamy Dobree	1857 – 1859	Sheffield Neave	1857 – 1859
Alfred Latham	1859 – 1861	Bonamy Dobree	1859 – 1861
Kirkman Hodgson	1861 – 1863	Alfred Latham	1861 – 1863
Henry Holland	1863 – 1865	Kirkman Hodgson	1863 – 1865
Thomas Hunt	1865 – 1867	Henry Holland	1865 – 1867
Robert Crawford	1867 – 1869	Thomas Hunt	1867 – 1869
George Lyall	1869 – 1871	Robert Crawford	1869 – 1871
Benjamin Greene	1871 – 1873	George Lyall	1871 – 1873
Henry Gibbs	1873 – 1875	Benjamin Greene	1873 – 1875
Edward Palmer	1875 – 1877	Henry Gibbs	1875 – 1877
John Birch	1877 – 1879	Edward Palmer	1877 – 1879
Henry Grenfell	1879 – 1881	John Birch	1879 – 1881
John Gilliat	1881 – 1883	Henry Grenfell	1881 – 1883
James Currie	1883 - 1885	John Gilliat	1883 - 1885
Mark Collet	1885 – 1887	James Currie	1885 – 1887
William Lidderdale	1887 – 1889	Mark Collet	1887 – 1889
David Powell	1889 – 1892	William Lidderdale	1889 – 1892
Clifford Wigram	1892 – 1894	David Powell	1892 – 1895
Albert Sandeman	1894 – 1895		
Hugh Smith	1895 – 1897	Albert Sandeman	1895 – 1897
Samuel Gladstone	1897 – 1899	Hugh Smith	1897 – 1899
Augustus Prevost	1899 – 1901	Samuel Gladstone	1899 – 1901
Samuel Morley	1901 – 1903	Augustus Prevost	1901 – 1903
Alexander Wallace	1903 – 1905	Samuel Morley	1903 – 1905
William Campbell	1905 – 1907	Alexander Wallace	1905 – 1907
Edgar Lubbock	1907	William Campbell	1907 – 1909
Reginald Johnston	1907 – 1909		
Alfred Cole	1909 – 1911	Reginald Johnston	1909 – 1911
Walter Cunliffe	1911 – 1913	Alfred Cole	1911 – 1913
Robert Newman	1913 – 1915	Walter Cunliffe	1913 – 1918
Brien Cokayne	1915 – 1918		

Montagu Norman	1918 - 1920	Brien Cokayne	1918 – 1920
Henry Trotter	1920 – 1923	Montagu Norman	1920 – 1944
Cecil Lubbock	1923 - 1925		
Alan Anderson	1925 – 1926		
Henry Trotter	1926 – 1927		
Cecil Lubbock	1927 – 1929		
Sir Ernest Harvey	1929 – 1936		
Basil Catterns	1936 - 1945		
Cameron Cobbold	1945 – 1949	Thomas Catto	1944 - 1949

Appendix C - Information on selected founding Bank of England shareholders

Table 14: Key Information on Bank of England Shareholders and Key Contributors to the Political Regime Change in 1688

Name	Agent	Key Information	Investment
William Scawen	-	Son to Robert Scawen. One of the greatest City merchants of his day. Scawen's considerable fortune was founded on his success as a major supplier of military clothing to the crown, having first fitted out regiments in the reign of James II. The escalation of European warfare after 1689 saw a dramatic increase in government demand, with one contract for the army in Ireland in October 1690 bringing Scawen £22,000 worth of business. Government contacts soon earned him the recognition of a knighthood in October 1692 alongside such other major financiers as James Houblon and William Gore. He was listed by Treasury secretary Henry Guy as a 'friend'. Scawen made his principal mark as a leading spokesman on financial matters, figuring prominently within the band of interloping merchants led by Gilbert Heathcote and Michael Godfrey, who campaigned for the establishment of the Bank of England. Once their objective had been secured, Scawen acted as a receiver for the first subscription and supplied one of the twelve subscriptions of £10,000 towards the £1,200,000 target. In May 1695, Scawen was named as one of the three deputy-governors for the Bank established at Antwerp to facilitate the payment of British troops on the Continent.	£10,000
Sir John Houblon	-	Desendent from Du Quesne family, Flemish immigrant well-to-do family, and a cousin to Peter Du Cane. His grandfather fled to England in 1560s, while his father was an elder of the French Church at Threadneedle Street.	£10,000
William of Portland	John Smith	Solicated William to marry Mary, negotiated the arrival of William into England, secured German princes' neutrality on the arrival. Sailed to England with Prince William.	£10,000
Matthew Humberstone	-	He became London customs officer.	£10,000
Theodore Janssen	-	French-born of Flemish descent. He became one of the most eminent merchants and financiers of his time, a founding director of both the Bank of England and its rival, the South Sea Company, as well as a founder of the new East India Company. From 1695 he was among the chief contractors for remittances to the army abroad.	£10,000
Thomas Howard	Bartholomew Burton	Teller of the Exchequer 1689–d.	£10,000

Thomas Mulsoe	John Smith	Married to the daughter of Sir John Turton, Baron of the Exchequer (role similar to the auditor of revenue)	£10,000
Anthony Parsons	John Smith	Auditor of the Revenue	£10,000
William Brownlowe	-	He was married to the sister of the Lady Anne Mason, who in turn was married to an individual who tried to assassinate Charles II and James II during the Rye House Plot.	£10,000
Abraham Houblon	-	Brother to Sir John Houblon.	£10,000
Their Majesties William III and Mary	-		£10,000
James de la Bretonnire	-	Huguenot from a French noble family.	£10,000
Sir William Hedges	-	Commisioner of Leutenancy of City of London in 1694. Trader at the Levent Company in Turkey. Brother in law to Jeremy Sambrook.	£4,000
James Bateman	-	The son of a Flemish immigrant who made a fortune as a London merchant. Bateman became one of the greatest financiers of his day with 'the best interest and credit abroad.'	£4,000 + £800
Michael Godfrey	-	Contributor to the passing of the BoE legislation and prepared the by-laws for the new bank for which he was chosen Deputy Governor. Commisioner of Leutenancy of City of London in 1694;	£8,000
Sir John Huband	-	Created a Baronet by Charles II, 2 Feb 1660-1.	£5,500 + £1,000 + £600
Sir Henry Furnese	-	In the early 1690s Furnese concentrated on the trade to Flanders, even importing fine linen and lace for the use of the new King. He supported the war by clothing several regiments and helping to finance a galley for use against the French. His information network was already second to none, for it was Furnese who brought King William the first notice of the capitulation of Limerick, for which he was rewarded with a jewel reputed at the time to be worth £10,000 and a knighthood. He loaned money to the government, but clearly saw that there were many ways in which astute men could make a fortune out of war. He is married to the daughter of Thomas Vernon.	£6,000 + £200 +£2,000
Brook Bridges	-	Auditor of the Imprest, which was a profitable office of the Exchequer (responsible for auditing the accounts of officers of the English crown to whom money was issued for government expenditure, from 1559 to 1785).	£5,000
John Smith	-	An English politician, twice serving as Chancellor of the Exchequer. Smith was first appointed as a Lord of the Treasury in 1694.	£2,000

Obadiah Sedgwick	-	Apprentice to William Goddard	£6,000
Sir James Houblon	-	In early December 1688 he featured as one of the 12 City figures who petitioned the Lord Mayor concerning the number of Catholics taking refuge in London. He was appointed on 11 Dec. 1688 to the City committee to address the Prince of Orange. He subsequently demonstrated his support for the Revolution by making several loans to the government, and provided further aid as an adviser on Iberian affairs. Most significantly, his family's prominent role in the establishment of the Bank ensured a close working relationship with the government. Sir James had been appointed as a commissioner to take the first Bank subscription and subsequently gained a seat on the founding board of directors. In March 1695, James' reputation as a public-spirited City figure was severely questioned by a parliamentary inquiry into the London corporation's campaign to pass an orphans' relief bill during the 1693–4 session. On 12 Mar. the Commons heard that Houblon had been a prominent sponsor of the measure, the corporation having appointed him in January 1694 to the committee to consider ways to settle the City's debts to the orphans. He strenuously denied any involvement with the City committee's decision to pay 1,000 guineas to the Speaker, Sir John Trevor, to aid the passage of the bill. Houblon's position was particularly suspicious as he had accompanied Sir Robert Clayton on 22 June 1694 when payment was made to Trevor, and on the same day had also witnessed the passing of a bill for 100 guineas to a clerk of the House for the same purpose.	£4,000
James Denew	-	James was a successful merchant in the City of London, in partnership with his younger brother Nathaniel. He was a founding Director of the Bank of England in 1694, and was a member of the Bank Committee that remitted bullion to the Army in Flanders. He was also an elder of the French Church in London, and a Commissioner and Deputy for Tower Ward for the first Census of London in 1694. Close to the Du Canes.	£2,000
Sir William Gore	-	Gore rose from comparatively humble beginnings as the son of a Surrey attorney to become a highly successful merchant and financier and to establish a minor commercial and political dynasty. One of the few Tories among the first directors of the Bank of England	£6,000
George Dodington	-	A Whig politician under the patronage of Edward Russell, 1st Earl of Orford, the First Lord of the Admiralty under King William III. The 1st Earl's nephew was executed for participation in the Rye House Plot in 1683. In 1688, Russell was one of the Immortal Seven, a group of English noblemen who issued the Invitation to William, a document asking William of Orange to depose King James II. He served as Secretary to the Treasurer of the Navy during the reign of William III	13 x £500
Thomas Goddard	-	Commisioner of Leutenancy of City of London in 1694. His daughter is to get married to the son of Michael Godfrey (Peter).	£5,000

Nathaniel Tench	-	Commisioner of Leutenancy of City of London in 1694	£2,000 + £1,000
John Ward	-	Brother to Patience Ward. Commissioner of Customs	£2,000
Sir Thomas Abney	-	Commisioner of Leutenancy of City of London in 1694	£4,000
William Paterson	-	A co-founder of the Bank of England, and it is said that the project originated with him in 1691. On the foundation of the bank in 1694 he became a director. In 1695 he left the enterprise, owing to a disagreement with his colleagues.	£2,400
Samuel Lethieullier	-	Born in Amsterdam. Naturalised in 1660. Close to the Houblons, Du Canes, Delmes.	£500 x 3
Robert Raworth	-	Commisioner of Leutenancy of City of London in 1694	£1,000
Edward Clarke	Michael Godfrey	Receiving subscriptions to Bank 1694. More comfortable in holding a private conversation than speaking on the floor of the House, he became the Locke's mouthpiece in the House of Commons and consequently the most important member of Locke's 'college', a policy-making, parliamentary pressure-group that was particularly active in the mid-1690s. Yet, Clarke was also much more than a dependable cog in an effective lobby machine, for he was a formidable expert in his own right on finance and the drafting of legislation. Devoted to William III and to the Whigs, his loyalties were to the Court that had given him office. Indeed, he was privy to Locke's irritation at unauthorized attempts to secure a pardon and visited Locke in Holland in the summer of 1688, perhaps too sensitive a time to be entirely politically innocent.	£2,000
John Lordell	-	Commisioner of Leutenancy of City of London in 1694/ His brother James was married to Sara Houblon, the older sister of the Houblons.	£1,000
Hugh Smithson	Michael Godfrey	Brother in law to Michael Godfrey, the first Deputy Governor of the Bank	£2,000
Thomas Scawen	-	An eminent merchant, trading with Flanders	£2,000 + £4,000
Sir Patience War	-	an English merchant and early Whig politician. He was elected Lord Mayor of London in 1680, a period when the City of London was in conflict with the Crown. Tried for perjury in connection with the action brought by James, Duke of York against Sir Thomas Pilkington. After much conflicting evidence he was found guilty. Hearing that he would be sentenced to the pillory, he took refuge at the house of Bateman, a surgeon implicated in the Rye House Plot, and later absconded to Holland, where, however, he avoided the company of other fugitive plotters. Once back in London, he and Robert Clayton were tellers for the unsuccessful motion of 25 Feb. for a special committee of the Commons to consider the violation of the	£4,000

		liberties and franchises of the City. His committees included those to consider the new oaths of allegiance and supremacy, the removal of the disaffected from the metropolitan area, and the address promising assistance for a war against France	
Benjamin Godfrey	-	Brother to Michael Godfrey, the first Deputy Governor of the Bank	£2,000 +£1,000
Peter Godfrey	-	Brother to Michael Godfrey, the first Deputy Governor of the Bank	£4,000 + £1,000
Anne Mary Godfrey	Michael Godfrey	Mother to Michael Godfrey, the first Deputy Governor of the Bank	£1,000
Samuel Heathcote	-	Brother to Sir Gilbert Heathcote, an original Director at the Bank	£5,000
Francis Gosfright	-	A cousin to Sir Henry Furnese, actively trading with Flanders prior and after the Revolution of 1688	£6,100 + £1,000
Nathaniel Houblon	-	Relative to the Houblons	£500
Samuel Lordell	-	Relative to John Lordell	£1,000
Benjamin Lordell	-	Relative to John Lordell	£3,000
John Houblon Junior	-	Son to Sir John Houblon	£1,200
William Gore	Sir William Gore	Son of Sir William Gore	£2,000
Henry Trenchard	Thomas Gibson	Brother of Sir John Trenchard. He was initiated into high politics by his brother John at an early age, and received 1,000 guilders from du Moulin for his services in dispersing Dutch propaganda among Members during the third Dutch war.	£500
Samuel Heathcote	Leonard Gill for his master	Brother to Sir Gilbert Heathcote, an original Director at the Bank	£1,000
Russell Alsopp	-	Maybe a relative to the Scawens. Robert Scawen was married to an Alsopp. Sir William Scawen was owed a lot of money by the Alsopps and legal argument was undertaken in 1704.	£1,000
Isaac Janssen	Theodore Janssen	Brother to Theodore Janssen, an original Director at the Bank	£2,000 + £2,000
Andrew Janssen	Theodore Janssen	Brother to Theodore Janssen, an original Director at the Bank	£2,000
Wynne Houblon	-	Son of Sir James Houblon, an original Director at the Bank	£500

Sir James Oxenden	Michael Godfrey	An English politician, who during the coup d'etat along with Sir Basil Dixwell went to Faversham with two militia troops under pretence of securing the King from the rabble, but indeed to secure him for themselves and to make a merit to the Prince of Orange.	£1,000
Bartholomew Beale	Brooke Bridges	The eldest son to Bartholomew Beale, who worked at the Office of Auditor, a fairly lucrative position, which allowed him to purchase Hopton Castle, Shropshire, which remained in the family for several generations. He also owned a house in Hatton Garden, London. On 8 May 1674, Beale committed suicide by "throwing himself downe in his frantick fitt" from the upper window of this house, much to the puzzlement of his contemporaries.	£1,200
Christopher Lethieullier	Peter Du Cane	Knighted by the King in 1689 together with John Houblon	£500
Mary Lethieullier	Peter Du Cane	Sister to Christopher Lethieullier	£500
Benjamin Lethieullier	Peter Du Cane	Brother to Christopher Lethieullier	£500
Col. Charles Godfrey	Sir Henry Furnese	Brother in law to the Duke of Marlborough. After the Rye House Plot, it was reported that Godfrey and William Jephson had been arrested for denying belief in Monmouth's confession published in the Gazette. A member of the 'Treason Club', which met under the presidency of Lord Colchester Richard Savage. Godfrey sold horses worth £43,000 to supply the army in Ireland in 1690.	£1,000 + £1,000
Thomas Feltum	Sir Henry Furnese	Master of the Household since 1691	£2,000
Isaac Girardin La Font	Theodore Janssen	Major in William's invasion army	£1,000
Henry Guy	-	An adroit power-broker and consummate political player, he owed his position chiefly to the longstanding pre-eminence of his patron, the 2nd Earl of Sunderland, and it was to the fulfilment of Sunderland's aims and objectives that Guy devoted much of his energy. He was regarded, and often disparaged, as Sunderland's 'creature', and worse still as a political 'pimp', someone readily prepared to buy men's consciences. Money-making and reaping the profits of government office were pursuits which he undertook seriously and unashamedly. A historian qualified him as 'A polished figure, thoroughly acceptable at court', he turned the office into a position of real political importance and made enormous gains from fees and perquisites, in some years totalling £5,000 or more, as well as creaming the profits from shadier Treasury operations'.	£2,000
Sir John Trenchard	-	A radical Whig, Trenchard was imprisoned as a leader of the Rye House Plot in 1683. Later, he fled to Holland to avoid implication in Monmouth's rebellion. Pardoned by James II, he was thereafter	£4,000

		instrumental in supporting William of Orange, for which he was made a serjeant-at-law and rewarded with both the chief justiceship of Chester and a knighthood.	
Sir Robert Howard	-	His brother Colonel Philip Howard helped William to the throne.	£8,000
Henry Priestman	-	Although he was on active service at the time of the Revolution, his ship was not with the squadron sent to intercept the Dutch. Indeed, its commander Lord Dartmouth (George Legge†) wrote to James II on 22 Oct.: 'I am glad Priestman is not among us and I think he ought to be a little watched for he sets up for a leading politician'. Priestman was evidently a supporter of the Prince of Orange.	£1,000
Sir Sydney Godolphin	-	The historian David Ogg has written that "James and his two ministers, Rochester and Godolphin, were prepared to barter the independence of England for a sum little more than a sixtieth part of that granted by the national legislature". He was one of the council of five appointed by King James to represent him in London, when he went to join the army after the landing of William of Orange, in England, and, along with Lord Halifax and Lord Nottingham, he was afterwards appointed a commissioner to negotiate with the prince. On the accession of William, though he only obtained the third seat at the treasury board, he was in control of affairs. He retired in March 1690, but, was recalled in the following November and appointed first lord.	£4,000
Sir Stephen Fox	-	Lord of Treasury 1679–85, 1687–9, 1690–1702. He and Godolphin had to resort to 'underhand' methods to secure loans, such as promising higher rates of interest than those stipulated officially. The two men worked closely together. He was labelled the richest commoner in three kingdoms.	£5,000
Sir William Forester	Sir Stephen Fox	Forester was an active Whig conspirator against King James. Implicated in the Rye House Plot, and later, after Monmouth's rebellion, committed to the Tower for a spell on suspicion of 'dangerous and treasonable practices', he had by 1687 taken himself over to The Hague, where he acted as an intermediary between King James's enemies and the Prince of Orange. Having landed with William in November 1688, he was knighted the following year and given a place in the Household, which necessitated residing in Whitehall	£2,000
Abraham Cyprianus, M.D.	Bartholomew Burton	Most celebrated surgeon of his time.	£1,000
William Lowndes	-	Married to the daughter of the Auditor of the Exchequer since 1691. Secretary to the Treasury of Great Britain under King William III and Queen Anne, and a MP under William, Anne and George I. Lowndes also became Secretary to the Treasury in 1695.	£1,000

Bartholomew Burton	-	He and J.Knight persuaded a clerk to take the blame for a falsification of exchequer bills they made. Later in his career, Burton was the receiver-general of excise.	£5,000 + £1,000 x 3
Charles Chamberlan	-	Huguenot (Spelled Chamberlayne); Commisioner of Leutenancy of City of London in 1694	£1,000
Cesar Chamberlan	-	Probably a brother to Charles.	£2,000
Caspar Frederick Henning	John Smith	Keeper of Privy Purse	£2,000
Thomas Tipping	-	Misuse of his position in a case of wardship, forced Tipping to flee to Holland in 1686. He sailed with William of Orange's invasion fleet in 1688, and his main role in the aftermath of the invasion appears to have been in the rudimentary fiscal administration set up by William before he reached London. Tipping played an active role as a Member of the Convention of 1689.	£1,000
John Knight	-	Receiver of Customs. Associated with Stephen Fox and kept close business with Bartholomew Burton. Embroiled in numerous dubious financial transactions. A Bank of England Director.	£5,000
Awnsham Churchill	-	Churchill was distantly related to the Duke of Marlborough, but preferred to carve out a strongly independent Whig career. In 1685 Churchill and his brother William were in contact with Monmouth rebels who had fled to the Netherlands. According to a well-informed double agent, Churchill 'was in a great conference' with John Trenchard and others, and lodged with Locke's landlord (a radical bookseller named Vandervelde). Although he returned to London, Churchill remained an important link between the exiles and the press in England, for in 1687 he was arrested for printing and selling Fagel's Letter, which outlined William's position on toleration. Churchill was active at the Revolution as the co-publisher (in partnership with his brother William) of William of Orange's declarations, by which he made a handsome profit: he was able to invest £500 in Bank stock by 1694.	£500
Thomas Trenchard	Awnsham Churchill	Nephew to John Trenchard	£2,000
Col. George Churchill	Hugh Chudleigh	Guided by his brother, he was one of the first of the officers of the fleet to offer his services to the Prince of Orange, and was shortly afterwards advanced to be captain of the HMS Windsor Castle;Churchill was one of the first naval officers to join William of Orange, and, as captain of the frigate Newcastle, stood by to assist the seizure of Plymouth citadel on 27 Nov. 1688	£1,000

The Lady Anne Mason	-	Married to Charles Gerard, 2nd Earl of Macclesfied. He is born in France. Charles played an important part in the Rye House plot, a plan to assasinate King Charles and his brother James in 1685. Then he was sentenced to death in 1685 but pardoned by James.	£5,000
Richard Savage	-	He was the first nobleman and one of the first persons who joined the Prince of Orange on his landing in England, and he accompanied William to London.; Obtaining promotion in the army, he served with distinction in the Williamite war in Ireland and in the Netherlands. and was made Major-General in 1698 and Lieutenant-General in 1702	£1,000
Sir Godfrey Kneller	-	Born and raised in Amsterdam. The most famous artist of his time. (At present, a portrait of William III, drawn by him, hangs in the reception room at the Bank)	£500
Sir Richard Levett	-	Prominent tobacco merchant with trading relations in Germany, Low Countries and the Baltic.	£2,000
Richard Holt	-	He supported the Revolution of 1688 and was rewarded with local appointments. Holt's sale in 1694 of the manor of Westbury in Hampshire for £4,000 may well have served to finance his subscription to the Bank of England.	£2,800
Sir Edward Russell	-	Brother to William Russell, who was executed for his involvement in the Rye House Plot.	£2,000
Edward Cressener	-	Commisioner of Leutenancy of City of London in 1694.	£500
Martin Lister	-	MP and uncle to the Duchess of Marlborough	£1,000
William Gulston	-	He was one of those chosen in August 1694 to prepare by-laws for the newly created Bank of England.	£5,000
Thomas Herbert	Michael Godfrey	Prominent navy officer under Willem van Oranje.	£2,000
Col. Thomas Farrington	-	At any rate there can be no doubting about his Whig sympathies. The young Thomas was commissioned by the Prince of Orange as a captain in the Coldstream Guards in December 1688, being promoted to lieutenant-colonel by 1693. Another valued political contact was his maternal uncle John Smith I (John Smith of Beaufort Buildings) and his close working relationship with the Duke of Marlborough.	£2,000
Nathaniel Gould	-	Gould, a leading figure in the City, belonged to a wealthy nonconformist family of London merchants, engaged in the cloth export trade to Turkey and the East. Later, he became a Bank of England director.	£2,000
Major General de la Meloniere	Peter Davall	A general in William's army.	£1,000
Sir John Cope	-	His name was sent to William of Orange on a list of the Opposition to James II, and he was removed as freeman of Oxford in June 1688. His support for the Revolution is evident from the loans exceeding £8,000 which he made to the Government. He seems to have acquired considerable wealth, for his investments in Bank of England stock alone were worth £12,500.	£1,000
Thomas Mercer	Peter Du Cane	Chief Accountant for the Bank between 1694-1717;	£500

Rebecca Mercer	Peter Du Cane	Wife to Thomas Mercer	£1,000
Sir Clowsly Shovell	John Hill	Shovell was also one of Herbert's protégés, playing a key role in ensuring that the English fleet remained passive during William of Orange's invasion.	£1,000
Sir James Vernon	Daniel Bernard	The support of King William was instrumental to his longevity, as was the backing of two powerful patrons, Lords Sunderland and Shrewsbury.	£500
Sir Robert Clayton	-	In December 1688, he presented a common council address to the Prince of Orange, then on his way to London. After the Prince's arrival, James asked the City for protection, but 'Sir Robert Clayton so influenced the common council that this security was denied'. He also persuaded the common council to lend the Prince - £200,000. On 25 Feb. 1689 he acted as teller for appointing a special committee of inquiry into the violation of the liberties and franchises of the City of London in 1682-3, and he was among those appointed to discover the authors and advisers of these and other grievances.	£2,000
Robert Henley	-	Took part in the Rye House Plot (assassination attempt on James and Charles Stuarts); Henley's standing improved considerably after the Revolution and he was employed as a contractor supplying provisions for the navy, and for the army in Ireland.	£1,500
Duke of Devonshire	-	One of the Immortal Seven. Sir William Temple reckoned him among the most violent group in the Opposition, and in the autumn he supported his friend, the Hon. William Russell, in advising a refusal of supply. Despite his suspicions of Dutch bribery among the Opposition, his speech was almost a paraphrase of Dutch propaganda. He was not involved in the Rye House Plot, and offered to help Russell to escape from Newgate by changing clothes with him. As Earl of Devonshire he led the Opposition in the Lords in 1685.	£6,000
Mrs. Mary Booth	George Foote	Widow of Herny Booth, 1st Earl of Warrington. Booth declared in favour of William of Orange and raised an army in Cheshire in support of him. After William was installed as William III, he made Booth chancellor of the exchequer in 1689. He was created Earl of Warrington on 17 April 1690.	£500
Thomas Osborne, Duke of Leeds	Sir Francis Child	In 1677, after two years of tedious negotiations, he overcame all obstacles, and in spite of James's opposition, and without the knowledge of Louis XIV, effected the marriage between William and Mary that was the germ of the Revolution and the Act of Settlement... He was visited by Dykvelt, William of Orange's agent; and in June 1687 he wrote to William assuring him of his support. On 30 June 1688, he was one of the seven leaders of the Revolution who signed the Invitation to William. In November, he occupied York for William, returning to London to meet William on 26 December. He appears to have thought that William would not claim the crown, and at first supported the theory that as the throne had been vacated by James's flight, the succession fell to Mary.	£4,000

Sir Salathiel Lovell	-	Commisioner of Leutenancy of City of London in 1694. Judge by trade, Lovell clearly accommodated himself to the changing post-restoration times, but was suspected of radical Whig politics by reason of his alleged involvement, in 1684, in the promulgation of an attack on acquiescence to the concept of the divine rights of kings. On 22 October 1692 he carried up an address of congratulation to William III of England at Kensington Palace on his return from abroad, and an invitation to a banquet at the Guildhall on Lord Mayor's Day, and was thereupon knighted.	£1,000 +£1,000
The Earl of Bradford	Lancelot Burton	An English soldier, courtier and Whig politician married to the sister of William Russell, participant in the Rye House Plot.	£1,000

Picture 18: World Economic Forum Questionnaire to Young Professionals

English

Would you be willing to have an implant under your skin or in your brain if it increases your capabilities?

- Yes
- Maybe
- No

I would trust decisions made by a robot on my behalf.

- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree

I would support rights for humanoid robots.

Picture 19: Bank of England Job Ad

BANK OF ENGLAND

Experienced Research Economists

Title: Experienced Research Economists
Employer: Bank of England (Monetary Analysis and Financial Stability)
Location: United Kingdom
Position Type: Other Non-Academic
Deadline: Nov 13, 2017

Job Description:
The Bank of England is looking for highly trained and experienced researchers with the capacity to produce, publish, and communicate innovative, world-class research, with a strong desire to influence the Bank's future policy agenda.

Our research programme is designed to address the fundamental questions confronting central banks today. We offer a unique experience for researchers interested in these questions because we are one of only a handful of institutions internationally with responsibility for delivering monetary, macroprudential, and microprudential policy.

Appendix E - Raw Data

Y	TI	TE	PD	PDC	FD	FDC	CGE	TAE	nGDP	Pop	IR
	(in mln, £)	(in mln, £)	(in mln, £)	(in mln, £)	(in mln, £)	(in mln, £)	(in mln, £)	(in mln, £)	(in mln, £)	(in '000)	(in %)
1694	4.004	5.602	6.1	0.442	0.6	0.012	0.669	4.49	67.55		6
1695	4.134	6.22	8.4	0.581	1.2	0.107	0.774	4.866	63.06		4.5
1696	4.823	7.998	10.6	0.651	1.2	0.066	0.713	3.924	64.55		3
1697	3.298	7.915	16.7	1.044	3.4	0.127	0.871	5.989	66.53		3
1698	4.578	4.127	17.3	1.467	5.1	0.186	0.391	2.269	70.11		3
1699	5.164	4.691	15.4	1.484	4.8	0.243	0.913	2.294	63.4		3
1700	4.344	3.201	14.2	1.251	4.7	0.218	0.699	1.251	82	6,580	4.5
1701	3.769	3.442	14.1	1.2	4.7	0.222	0.704	1.538	85	6,610	4.5
1702	4.869	5.01	14.1		14.7	0.256	0.523	3.313	82	6,660	4.5
1703	5.561	5.313	13.6	1.042	4.4	0.285	0.605	3.667	76	6,710	4.5
1704	5.394	5.527	13.4	0.977	4.3	0.26	0.656	3.894	93	6,740	4.5
1705	5.292	5.873	13	1.036	4.1	0.26	0.737	4.101	86	6,750	4.5
1706	5.284	6.692	13	1.078	4.5	0.268	0.652	4.961	71	6,770	4.5
1707	5.471	8.747	14.5	1.846	4.3	0.322	1.129	5.772	79	6,800	4.5
1708	5.208	7.742	15.2	1.637	4.8	0.315	0.784	5.321	86	6,830	4.5
1709	5.206	9.16	19.1	2.014	7.4	0.311	0.777	6.368	82	6,860	4.5
1710	5.248	9.772	21.4	1.754	7.3	0.317	0.857	7.161	77	6,880	4.5
1711	5.179	15.145	22.4	1.813	11.8	0.347	0.668	12.663	78	6,880	4.5
1712	5.748	7.864	34.9	2.36	25.6	0.709	0.726	4.778	76	6,880	4.5
1713	5.78	6.362	34.7	2.888	26.1	0.943	0.656	2.819	74	6,890	4.5
1714	5.361	6.185	36.2	3.021	27.8	0.834	1.161	2.003	83	6,920	4.5

1715	5.547	6.228	37.4	3.276	29.6	1.237	0.734	2.219	77	6,930	4.5
1716	5.582	7.076	37.9	3.027	29.5	0.856	0.926	3.123	80	6,970	4.5
1717	6.514	5.885	39.3	3.44	31.7	1.112	0.983	1.462	86	7,020	4
1718	6.09	6.354	39.7	2.839	34.1	1.383	0.84	2.674	90	7,070	4
1719	6.026	6.152	41.6	2.706	37.2	1.465	0.808	2.638	87	7,120	4
1720	6.323	6.002	54	2.769	49.8	1.716	0.98	2.254	96	7,100	5
1721	5.954	5.873	54.9	3.314	50.3	2.857	1.002	1.558	88	7,100	5
1722	6.15	6.978	52.7	3.012	48.4	2.544	1.181	2.785	87	7,100	5
1723	5.993	5.671	53.6	2.919	49.1	2.523	0.942	1.811	87	7,130	5
1724	5.773	5.438	53.8	2.864	48.6	2.461	0.968	1.606	86	7,160	5
1725	5.96	5.516	52.7	2.796	48.6	2.432	1.251	1.469	90	7,190	5
1726	5.518	5.543	52.9	2.667	49.1	2.353	1.089	1.787	90	7,250	5
1727	6.103	5.86	53	2.783	48.4	2.448	0.939	2.139	88	7,280	5
1728	6.741	6.504	52.7	2.335	48.5	2.006	1.051	3.118	96	7,220	5
1729	6.294	5.799	52.1	2.284	48.4	1.998	1.044	2.382	88	7,110	5
1730	6.265	5.574	51.4	2.28	47.4	2.001	0.935	2.359	85	7,030	5
1731	6.08	5.347	51.7	2.12	47.9	1.85	0.918	2.308	82	7,020	5
1732	5.803	4.974	50.1	2.217	46.4	1.959	0.933	1.825	85	7,050	5
1733	5.522	4.595	50	2.143	46.4	1.888	0.957	1.494	88	7,080	5
1734	5.448	6.36	49.1	2.052	45.4	1.792	1.06	3.248	88	7,140	5
1735	5.652	5.852	49.3	2.174	45.4	1.863	0.941	2.737	87	7,200	5
1736	5.762	5.793	49.7	2.127	46	1.829	0.949	2.717	93	7,250	5
1737	6.077	5.129	48.5	2.105	45	1.808	0.93	2.095	87	7,290	5
1738	5.716	4.725	47.5	2.059	44	1.753	0.886	1.78	87	7,310	5
1739	5.82	5.21	46.9	2.047	43.3	1.762	0.953	2.21	87	7,350	5
1740	5.745	6.161	47.4	2.102	43.3	1.79	0.846	3.212	92	7,390	5

1741	6.244	7.388	48.8	2.032	43.3	1.727	0.842	4.515	96	7,400	5
1742	6.416	8.533	51.3	2.041	45	1.69	0.834	5.658	96	7,320	5
1743	6.567	8.979	53.5	2.117	47.6	1.725	0.884	5.977	93	7,320	5
1744	6.576	9.398	57.1	2.178	50.4	1.824	0.921	6.3	91	7,360	5
1745	6.451	8.92	60.1	2.259	52.4	1.855	0.837	5.823	90	7,430	5
1746	6.249	9.804	64.9	2.316	56.3	1.945	0.784	6.704	95	7,480	5
1747	6.961	11.453	69.4	2.716	61.8	2.208	1.366	7.371	98	7,510	5
1748	7.199	11.943	76.1	2.842	68.7	2.306	0.997	8.104	99	7,530	5
1749	7.494	12.544	77.8	2.981	71.8	2.449	1.082	8.481	99	7,580	5
1750	7.467	7.185	78	3.218	72.8	2.817	1.016	2.951	100	7,640	5
1751	7.097	6.425	78.1	2.978	72.4	2.588	1.086	2.38	99	7,700	5
1752	6.992	7.037	76.9	2.944	71.5	2.58	1.108	2.984	106	7,750	5
1753	7.338	5.952	75	2.762	71	2.394	1.068	2.122	105	7,820	5
1754	6.827	6.03	72.2	2.823	70.9	2.494	1.043	2.165	102	7,880	5
1755	6.938	7.119	72.5	2.731	71.8	2.419	0.997	3.39	103	7,940	5
1756	7.006	9.589	74.6	2.761	73.8	2.463	1.292	5.536	106	8,000	5
1757	7.969	11.214	77.8	2.805	76.8	2.525	1.083	7.325	120	8,040	5
1758	7.946	13.2	82.1	2.895	81.8	2.492	1.279	9.026	120	8,070	5
1759	8.155	15.382	91.3	2.947	89.3	2.623	0.991	11.444	114	8,100	5
1760	9.207	17.993	101.7	3.372	97.6	2.915	1.152	13.47	118	8,160	5
1761	9.594	21.112	114.2	3.823	109.9	3.247	1.256	16.032	120	8,220	5
1762	9.459	20.04	126.6	4.404	121.9	3.681	1.218	14.419	119	8,250	5
1763	9.793	17.723	132.6	4.666	129.1	3.989	1.056	12.001	125	8,250	5
1764	10.221	10.686	134.2	4.887	129.2	4.23	1.137	4.663	126	8,290	5
1765	10.928	12.017	133.6	4.827	130.6	4.224	1.05	6.138	127	8,360	5
1766	10.276	10.314	133.3	4.686	131.2	4.046	1.069	4.558	130	8,400	5

1767	9.868	9.638	133.9	5.02	131.9	4.274	1.022	3.596	135	8,430	5
1768	10.131	9.146	132.6	4.911	130.3	4.299	1.036	3.199	131	8,460	5
1769	11.13	9.569	130.3	4.803	128.6	4.191	1.498	3.268	134	8,520	5
1770	11.373	10.524	130.6	4.836	128.6	4.236	1.223	3.863	131	8,590	5
1771	10.987	10.106	128.9	4.611	127.1	4.054	1.057	3.936	139	8,650	5
1772	11.033	10.725	128.7	4.686	126.4	4.466	1.017	4.569	140	8,710	5
1773	10.487	9.977	128.9	4.649	125.8	4.041	1.032	3.702	143	8,790	5
1774	10.613	9.566	127.7	4.612	125.3	4.04	1.095	3.86	142	8,860	5
1775	11.112	10.365	127.3	4.674	124.3	4.01	1.211	3.879	148	8,950	5
1776	10.576	14.045	131.2	4.632	125.9	3.991	1.271	7.542	149	9,040	5
1777	11.105	15.259	136.6	4.709	130.9	4.036	1.769	8.781	158	9,130	5
1778	11.436	17.94	143.1	5.03	137.1	4.414	1.425	10.984	157	9,230	5
1779	11.853	19.714	153.4	5.618	144.1	4.543	1.158	12.457	152	9,320	5
1780	12.524	22.605	167.2	5.995	156.1	4.675	1.251	14.869	158	9,380	5
1781	13.28	25.81	190.4	6.917	177.4	5.348	1.35	17.063	183	9,480	5
1782	13.765	29.234	214.3	7.364	197.5	5.898	1.263	20.126	182	9,560	5
1783	12.677	23.31	231.8	8.054	212.8	6.447	1.383	13.667	177	9,590	5
1784	13.214	24.245	242.9	8.678	228.7	6.959	1.324	13.762	171	9,690	5
1785	15.527	25.832	245.5	9.229	239.6	7.431	1.451	14.792	170	9,780	5
1786	15.246	16.978	246.2	9.481	239.7	7.98	1.513	5.483	183	9,890	5
1787	16.453	15.484	245.8	9.292	239.2	7.916	1.513	4.178	179	10,010	5
1788	16.779	16.338	245.1	9.407	237.7	7.894	1.522	4.908	173	10,120	5
1789	16.669	16.018	244.3	9.425	236.2	7.85	1.664	4.447	174	10,250	5
1790	17.014	16.798	244	9.37	234.6	7.904	1.703	5.224	192	10,370	5
1791	18.506	17.996	243.2	9.43	233	7.758	1.886	6.178	194	10,510	5
1792	18.607	16.953	241.6	9.31	231.5	7.712	1.565	5.577	213	10,630	5

1793	18.131	19.623	242.9	9.149	229.6	7.661	1.835	8.137	208	10,750	5
1794	18.732	28.706	249.6	9.797	234	8.016	1.572	16.837	203	10,850	5
1795	19.053	38.996	267.4	10.47	247.9	8.595	1.751	26.273	247	10,980	5
1796	19.391	42.372	310.4	11.62	301.9	9.582	2.014	28.254	259	11,090	5
1797	21.38	57.649	359.2	13.594	351.5	11.609	2.527	41.029	260	11,240	5
1798	26.946	47.422	391.2	16.029	378.6	13.75	2.178	28.715	274	11,380	5
1799	31.783	47.419	426.6	16.856	408.1	13.916	2.18	27.883	303	11,510	5
1800	32.303	52.0949	428.93	16.7018	411.79	14.0524	3.5322	30.4221	346	11,600	5
1801	31.585	50.991	456.1	16.749	432.3	13.872	2.072	31.667	369	11,680	5
1802	39.1	65.5	498.6	19.9	478.1	16.1	5.6	37.4	320	11,790	5
1803	41.2	54.8	516.4	20.4	501	17.2	6.7	25.3	315	11,930	5
1804	42.4	53	523.8	20.7	504.3	17.9	5.1	23.6	336	12,100	5
1805	50.2	62.8	539.6	20.7	514.2	18	5.2	34.1	367	12,280	5
1806	55	71.4	564.4	22.3	538	18.6	5.2	40.1	372	12,460	5
1807	60.1	72.9	583.1	23.2	556	19.6	4.7	41.1	397	12,640	5
1808	64.8	73.3	591.3	23.8	559.2	19.9	5.3	40.9	388	12,800	5
1809	68.2	78	599	23.1	559.8	20	4.7	44.8	424	12,980	5
1810	69.2	81.5	607.4	24.2	567.7	20.4	5.2	48.3	468	13,140	5
1811	73	81.6	609.6	24.4	570.8	20.9	5.1	48	447	13,320	5
1812	71	87.3	626	24.6	583.4	21.5	5.2	53.4	455	13,530	5
1813	70.3	94.8	652.3	26.4	607.5	22.2	5.4	57.3	489	13,740	5
1814	74.7	111.1	725.5	27.3	677.5	23.5	5.3	72.1	467	13,960	5
1815	77.9	112.9	744.9	30	684.6	25.6	5.8	72.4	482	14,190	5
1816	79.1	99.5	778.3	32.2	733.6	26.3	6.1	56.4	428	14,430	5
1817	69.2	71.3	766.1	32.9	716.3	28.5	5.5	28.2	445	14,660	5
1818	57.6	58.7	843.3	31.5	780.6	27.8	5	17.7	462	14,890	5

1819	59.5	57.6	844.3	31.3	795.6	27.1	6	15.7	431	15,100	5
1820	58.1	57.5	840.1	31.1	798.5	28.2	5.4	16.7	438	15,340	5
1821	59.9	58.4	838.3	32	804.9	28	5.4	16.7	419	15,590	5
1822	61.6	58.4	831.1	31.9	798.5	28.4	5.6	16.7	399	15,840	5
1823	59.9	58	836.1	31.4	797.4	28.1	5.4	13.9	417	16,100	4
1824	58.5	54.3	828.6	30	792.9	26.7	5.4	14.3	449	16,340	4
1825	59.7	55.5	820.2	30.2	782.3	26.6	6	15.2	496	16,560	4
1826	57.7	54.1	811	29.2	779.3	25.8	5.8	15	435	16,780	5
1827	55.2	56.1	810	29.2	785	25.8	6	16.7	452	17,000	5
1828	54.7	55.9	806.4	29.4	778.7	26	6.2	16.2	452	17,240	4
1829	56.5	53.5	801.3	29.3	773.6	25.7	5	15.2	437	17,470	4
1830	55.3	53.7	798.2	29.1	772.6	25.7	5.4	15.2	454	17,700	4
1831	54.5	51.9	786.2	29.2	758.9	25.5	4.9	13.9	447	17,940	4
1832	50.6	51.5	784.2	28.3	757	24.4	5	14.4	444	18,140	4
1833	51.1	50.6	783	28.3	755.6	24.3	4.7	13.8	435	18,340	4
1834	50.2	48.8	781.3	28.5	753.2	24.3	4.3	12.3	460	18,560	4
1835	50.4	48.9	774.9	28.5	745.3	24.2	4.6	12.1	485	18,800	4
1836	50	65.2	790.4	28.6	760.3	23.8	4.5	11.7	525	19,030	4
1837	52.6	54	790.2	29.4	763.2	24.4	4.7	12.1	510	19,240	5
1838	50.4	51.1	788.9	29.6	763.6	24.5	5.1	3.2	536	19,460	5
1839	51.3	51.7	788.2	29.4	762.8	24.5	5.5	12.6	557	19,720	4
1840	51.8	53.4	788.7	29.6	768	24.4	5.6	13.8	535	19,970	5
1841	51.6	53.2	790.2	29.5	767.9	24.6	5.3	13.9	521	20,200	5
1842	52.2	54.3	793.9	29.7	774.3	24.5	5.6	14.4	494	20,410	5
1843	51.1	55.1	793.5	29.6	774.9	24.8	5.6	14.4	493	20,620	4
1844	56.7	55.4	794.5	29.4	774	24.8	6	14.1	533	20,840	4

1845	58.2	54.8	789.9	30.6	771.1	26.1	5.9	13.5	566	21,050	2.5
1846	57.5	53.7	787.2	28.6	768.8	24	5.4	15.2	594	21,260	3.5
1847	58.2	55.4	785.2	28.3	766.8	23.9	6.3	16.4	628	21,480	4
1848	56.1	59.1	792.7	28.4	774.7	24	8.1	18	589	21,690	4
1849	57.8	59	794.3	28.7	776.5	24.2	7.2	17	590	21,910	3
1850	57.1	55.5	793.5	28.5	775.7	24.2	7	15.1	546	22,120	2.5
1851	57.1	54.7	789.7	28.3	772	24.1	6.8	14.7	560	22,340	3
1852	56.3	54	785.7	28.2	767.9	24	6.9	13.7	582	22,560	2.5
1853	57.3	55.3	782.3	28.1	764.5	23.9	6.6	15.3	655	22,790	3
1854	58.5	55.8	774.4	28.1	758.4	23.8	7.2	19.4	718	23,020	5
1855	62.4	69.1	779.7	28	755.6	23.3	7.7	27.5	715	23,240	4
1856	69.7	93.1	806.5	28.2	779.4	23.4	8.7	46.7	748	23,470	7
1857	72.2	76.1	812	28.8	784	23.8	8.4	33.5	746	23,690	6
1858	66.9	68.2	808.9	28.7	782.9	23.8	10.1	22.5	712	23,910	5
1859	64.3	64.8	808.8	28.7	790.5	23.7	9.1	20.7	759	24,140	2.5
1860	70.1	69.6	806	28.7	789.7	23.9	9.7	24.9	782	24,360	4
1861	69.7	72.9	805.7	26.3	789	23.9	10.7	28.3	811	24,590	7
1862	69	72.3	804.7	26.3	788.2	23.9	10.8	29.1	817	24,860	2.5
1863	68.8	70.3	803.9	26.2	787.4	23.8	10.9	28.7	891	25,140	5
1864	68.4	67.8	794.8	26.2	781.7	23.8	10.8	26.2	939	25,430	8
1865	68.7	67.1	790.9	26.4	780.2	23.6	10.2	25.9	951	25,710	5
1866	66.1	66.5	782.1	26.2	773.9	23.5	10.3	24.7	982	26,000	8
1867	67.8	67.2	778.1	26.1	770.2	23.4	10.5	25.8	969	26,300	3.5
1868	67.8	71.8	749.8	26.6	741.8	22.9	11.2	27.1	980	26,590	2
1869	70.8	75.5	751	26.6	741.1	22.5	12	26.9	1,009	26,900	3
1870	73.7	67.1	748.3	27.1	741.5	22.4	11	21.5	1,078	27,200	3

1871	68.2	67.8	738.1	26.8	732	22.3	12	21.1	1,156	27,520	2.5
1872	73.1	69.9	736.9	26.8	731.8	22.2	12.2	24.2	1,220	27,850	3
1873	74.7	68.8	732.2	26.8	727.4	22.1	11.8	23.1	1,277	28,200	3.5
1874	75.5	74.6	728	26.7	723.5	22	12.7	23.6	1,276	28,550	3.5
1875	73.6	73	720	27.1	714.8	21.8	13.6	24.5	1,246	28,900	3
1876	75.5	74.7	725.1	27.2	713.7	21.6	14.8	25	1,229	29,250	5
1877	76.8	75.7	726.6	27.4	712.6	21.6	14.9	25.5	1,212	29,620	2
1878	77.7	79.6	731.4	27.6	710.8	21.6	15.6	25.1	1,191	29,980	2
1879	81.2	82.8	735.3	28	709.4	21.5	16.6	28.7	1,144	30,350	3
1880	73.3	81.5	737.8	28.1	710.5	21.5	16.9	25.2	1,229	30,730	2.5
1881	81.9	80.6	731.2	29.2	709.1	21.5	17.4	25.2	1,247	31,090	3.5
1882	84	83.3	727.5	29.4	709.5	21.4	18	26.3	1,284	31,400	6
1883	87.4	87.1	726.9	29.5	712.7	21.4	18.9	25.4	1,290	31,720	4
1884	86.2	85.4	654.7	29.1	640.6	21.3	18.7	26.8	1,256	32,030	3
1885	88	88.5	654.2	29	640.2	19.2	19	30	1,231	32,350	4
1886	89.6	92.2	656.5	23.5	638.9	19	19.2	29.7	1,241	32,680	3
1887	90.8	90	655.2	28	637.6	19	19.3	31.7	1,292	33,000	5
1888	89.8	86.7	627.1	25.5	609.7	18.4	19.7	30.5	1,337	33,340	3
1889	89.9	86.5	623.2	25.1	607.1	18.6	19.4	29	1,409	33,670	3
1890	94.6	90.6	618.2	24.5	586	17	17.1	32.7	1,443	34,010	6
1891	96.5	93.4	615.6	23.9	579.5	16.2	17.6	33.4	1,441	34,360	3
1892	98.6	96	613.3	23.7	577.9	16.1	19	33.2	1,410	34,740	3
1893	97.7	95.8	610.3	23.5	589.5	16.2	19.3	33.2	1,410	35,120	2.5
1894	98.4	98.5	609.1	23.4	587.6	16.3	19.7	33.4	1,488	35,510	3
1895	101.8	100.9	603.4	23.3	586	16.4	20.4	35.4	1,519	35,900	2
1896	109.4	105.1	599.1	22.8	589.1	16.3	21.2	38.2	1,571	36,290	2

1897	112.3	109.7	595.8	23.6	587.7	16.3	21.4	40.5	1,611	36,690	3.5
1898	116.1	112.3	593.9	23.6	585.8	16.2	22.9	40.2	1,700	37,100	3
1899	117.9	117.7	591.3	23.6	583.2	16.2	23.4	44.1	1,805	37,510	3.5
1900	129.9	143.7	568.7	23.2	552.6	15.4	23.9	69.6	1,875	37,920	4
1901	140.2	193.3	629.3	19.8	551.2	15.3	24.9	121	1,890	38,330	5
1902	152.7	205.2	684.7	21.7	609.6	15.3	31.9	123.3	1,898	38,700	3.5
1903	161.3	194.2	715.2	27.2	640.1	15.2	37.6	100.6	1,870	39,070	4
1904	151.3	155.3	711.3	25.5	637.6	16.6	28.3	72.2	1,874	39,440	4
1905	153.2	149.5	707.3	24.8	635.7	16.1	28.8	66	1,944	39,820	3
1906	153.9	147	699.8	24.6	634	16.1	29.8	62.2	2,022	40,210	4
1907	155	143.7	683.6	22.5	631.9	16	30.6	59.2	2,094	40,590	5
1908	156.5	143.4	669.6	21.1	625.6	16	31.9	58.2	1,993	40,980	4
1909	151.6	144.8	664.7	21.5	621.8	15.8	33.8	59	2,035	41,380	3
1910	131.7	156.9	677.4	20.8	614.9	15.7	31.4	63	2,122	41,770	3.5
1911	203.9	167.9	650.8	20.4	610.3	15.6	45.9	67.8	2,208	42,130	4
1912	185.1	174.1	635.3	20.1	602.2	15.4	49.2	70.5	2,304	42,340	4
1913	188.8	184	625	19.9	593.5	15.2	54.6	72.5	2,405	42,600	5
1914	198.2	192.3	620.2	19.3	586.7	15	56.8	77.1	2,434	43,020	3
1915	226.7	559.5	1076.9	21.7	583.3	14.8	60	80.5	2,916	43,280	5
1916	336.8	1559.2	2107	60.2	318.5	13.1	57	N?A	3,381	43,450	5
1917	573.4	2198.1	3987.4	127.3	317.8	8.3	53.9	N?A	4,184	43,560	5.5
1918	707.2	2696.2	5849.9	189.9	317.7	8.5	62.7	N?A	4,968	43,520	5
1919	889	2579.3	7414.3	270	317.6	8.7	69.5	N?A	5,337	43,440	5
1920	1339.6	1665.8	7809.5	332	315	8.8	574.5	551.5	5,843	43,730	6
1921	1426	1188.1	7556.7	342.3	314.8	8.6	477.9	269.9	4,800	43,960	7
1922	1124.9	1070.1	7638.1	323.2	580.6	8.7	465	175.9	4,361	44,390	5

1923	914	812.5	7728.6	324	997.8	8.8	302.5	101.6	4,163	44,630	3
1924	837.2	748.8	7627.6	307.3	980.3	33.5	257.5	96.2	4,272	44,930	4
1925	799.4	750.8	7584.8	312.2	1022.7	34	244.8	100.4	4,411	45,090	4
1926	812.1	776.1	7546	308.2	1073.5	34.4	263.9	104	4,255	45,260	5
1927	805.7	782.4	7542.4	318.6	1219.8	36.4	260.7	101.2	4,500	45,430	5
1928	842.8	773.6	7515.3	313.8	1350	43.3	253.1	102.3	4,500	45,630	4.5
1929	836.4	760.5	7487.8	311.5	1478.3	49.4	246.4	97.4	4,591	45,730	4.5
1930	815	781.7	7456.9	307.3	1456	52.5	271.7	96.3	4,515	45,890	5
1931	857.8	814.2	7401.3	293.2	1425	50.6	333.2	93.1	4,224	46,070	3
1932	851.5	818.6	7422.2	289.5	1467.1	50	345.7	89.6	4,133	46,340	6
1933	827	833	7631.9	282.2	3376.3	52	369.2	85.9	4,206	46,520	2
1934	809.4	770.5	7810.2	216.3	3374.3	118.1	368.3	91.1	4,421	46,670	2
1935	804.6	784.7	7788.4	211.7	3368.1	118	378	96.3	4,619	46,870	2
1936	844.8	829.4	7783.7	211.5	3366.5	117.8	394.5	109.4	4,881	47,080	2
1937	896.6	889.1	7785.1	210.9	3364.9	117.8	398.6	135.9	5,220	47,290	2
1938	948.7	909.3	8013.6	216.2	3364.8	117.6	397.2	197.3	5,384	47,490	2
1939	1006.2	1005.7	8149.6	218.7	3364.6	117.8	430.8	254.4	5,791	47,760	2
1940	1132.2	1401	10520.3	228.6	3364.4	116.6	441.2	626.4	7,030	48,230	2
1941	1495.3	3953.7	13193.9	233.6	3364.3	116.6	407	3200	8,470	48,220	2
1942	2174.6	4876.3	15973.7	278	3364.3	116.6	407.4	4085	9,281	48,400	2
1943	2922.4	5725.7	18710.5	331.6	3364.2	116.6	437.7	4840	9,878	48,790	2
1944	3149.2	5899	21508.8	385.1	3364.2	116.6	438.8	4950	9,964	49,020	2
1945	3354.7	6174.4	23773.9	434.9	3364.1	116.6	474.4	5125	9,697	49,180	2
1946	3401.2	5591.5	25770.6	474.9	3422.3	116.6	559.7	4410	9,756	49,220	2

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