

CRITICISM OF THE BANK AND BANKERS

Criticism of the Bank was perhaps progressively less in evidence during the war than it had been in the immediately preceding years, except for the controversy over the transfer of the Czech gold, a matter which is dealt with fully in the chapter on the Bank for International Settlements. As Bank Rate remained at 2% except for a few months at the beginning of the war - a change which called forth some complaints - there was nothing much to be said on that score, though the accompanying structure of short-term rates did not altogether escape comment. For some time the Bank received no credit for their part in the establishment of very low rates on long-term Government borrowing: this was not definitely known, though the Bank's influence and advice might well have been taken for granted.

Nationalisation of the Bank and other methods of control by the State were of course questions brought up from time to time, and particularly during the Election of 1945, though less so on the occasion of a change of Governors than might have been expected. The choice of a Governor who had been Financial Adviser to the Chancellor may have been the reason. State control continued to be urged by the Labour Party in accordance with their declared policy, and by the Trades Union Congress and the Co-operative Union. Similar views were naturally expressed by Social Creditors - small in numbers and with little influence - and from a new quarter on the appointment of Dr. Temple as Archbishop of Canterbury. There were, however, defenders of the existing system among the Press, notably the "Times" and "Economist", and in nearly all the more serious dailies and weeklies, but not always in those papers which had the largest circulation.

The war revived or raised enquiries concerning the composition and nationality of the Proprietors, and as to the powers and personality of the Directors and the Treasury Committee, which were also stimulated by an announcement to the General Court of the setting aside of an additional sum for the remuneration and pensions of

Directors;

Directors; it also revived controversy on the part played by the Bank in the reconstruction of Europe after 1918, especially as regards Germany. Special measures were taken in all cases to give the Press the facts and to dispel misconceptions.

As regards relations with Germany, a particularly disgraceful attack on the Governor took place not in England but in the Legislative Assembly of Queensland, in September 1940.* Mr. Norman was alleged to have said, in 1939 before the war, "..... We will have to give Germany a loan of £50 million. We may never be paid back, but it will be a less loss than the fall of Naziism." No public denial of this fantastic statement was made, but eventually the Editor of "Cavalcade" denied it editorially on "reliable authority".

Complaints, criticisms and Questions by Members of Parliament had, of course, to be dealt with in the first instance by Government spokesmen, but during the war the Governor took the opportunity of inviting one or two of the Members who were in the habit of putting such Questions to come to the Bank, where a conversation might remove misconceptions and sometimes did so, as for instance the suspicions of Mr. Stokes regarding the Proprietors of Bank Stock.

A further opportunity to deal with misconceptions in unusual quarters occurred in January 1943 when the Bishop of London called on the Governor regarding a projected series of lunch-time meetings to be held in the Royal Exchange, promoted by himself with representatives of the Free Churches and supported by the Lord Mayor. He hoped that a circular letter to the
citizens

*Mr. Bedford (since deceased).

The alleged statement was also quoted in the House of Commons (by Mr. Stokes, Labour, Ipswich) in April 1941 and April 1943, on the first occasion as having been said in 1939 and on the second in 1942. It has been denied to private correspondents in this country, Canada, Australia and South Africa that the Governor ever made this statement, either at the stated time or at any other.

citizens would be signed by the Governor, the Chairmen of the Committee of Clearing Bankers, Stock Exchange, Lloyds and the Baltic.

The Governor expressed frankly the resentment aroused in the City by "the ignorant and injudicious remarks of the Archbishop of Canterbury on finance and investment". He warned the Bishop that certain of the proposed signatories would undoubtedly refuse to sign such a letter at such a time. Before defining his own attitude he would have to consult his colleagues, "whose views were unlikely to be uniformly favourable". The meetings referred to above did not take place. On 8th March the Governor and the Secretary took tea with the Archbishop of Canterbury, on his invitation, and explained many things about the banking system and profit motive to him.

Public Relations Officer

The desirability of closer relations with the Press in London had been discussed by the Committee of Treasury as early as the autumn of 1930. Finally in March 1941, partly because of new problems arising out of Exchange Control, and hence contacts of a new kind with the public and the Press, Mr. J. B. Rickatson-Hatt, for ten years Editor-in-Chief of Reuters, was engaged as an Adviser to the Governors. His intimate contacts with the British, Dominions and foreign Press and wide acquaintance afforded an opportunity of a kind which the Bank had not previously possessed for removing misunderstandings and giving suitable material and guidance to newspapers such as would tend to reduce the amount of misleading information and comment published. A note on the activities of his Section is appended.

While it had never been the Bank's policy to court publicity, they had for some years seen no reason why misconceptions should not, if possible, be removed before publication. During the war they made it known to journalists that they were always ready to correct facts and figures in the proofs of articles and books about the Bank, and as a result a great many were submitted in advance of publication. Again, in connection with any
important

important announcement, the Bank began to hold Press conferences at which policy could be explained, and sometimes a memorandum was handed out to assist City Editors. Financial journalists were encouraged to call regularly at the Bank, and sometimes obtained in this way information given them on behalf of the Treasury or other Government Departments. This change of attitude was referred to by the Financial Editor of the *Manchester Guardian** -

"... The Bank of England ... has lately become much more communicative. It is true that individual officials and expert advisers of the Bank have always been most courteous in answering technical enquiries, and even in the old days an erring City Editor might be summoned to have his mistakes pointed out to him: but then the financial journalists were regarded as members of the City family, of which the Governor of the Bank was the unquestioned head. Since the outbreak of war, or to be precise, since the day in September 1939 when the Bank Rate was doubled, the Bank has lost much of its former shyness. That is partly due to the fact that the late Governor appointed as one of his Advisers a former Editor-in-Chief of Reuters, who appreciated the problems of the Press and soon became the financial journalists' "friend at court". It is now no longer unusual for officials to discuss questions of policy with an interested journalist, and Press conferences are frequently held to explain important decisions. In fact, the Bank of England is less secretive than the joint-stock banks, which are polite but tell nothing ..."

In March 1941 the Governor wrote to the Chairman of the Clearing Banks' Committee pointing out that an article by Mr. Hobson in the "News Chronicle" on the war effort of the banks was the "best pat on the back you can have or expect", and suggested that they should give it publicity. The bankers, however, thought that a reproduction of the article by them would look as if they had inspired it, and that in any case it would reach the converted only.

The Governor

*Manchester Statistical Society 21.2.45

The Governor considered that "a Heaven-sent opportunity had been neglected".

On 3rd December 1941 the Governor told the Committee of Treasury that he had proposed to the Clearing Bankers that they should promote public approval of their attitude by stating, for example, that small accounts were always welcome; that no increase in their dividends would be recommended, at least during the war; and that they would in future forego commission on their own subscriptions to War Loans. The Chairman and Deputy Chairman of the Clearing Bankers' Committee were, however, unwilling to support this proposal also.

On the other hand, the only suggestion made by the bankers was not approved by the Bank of England. In June 1942 the Governor was privately informed that some of the Clearing Bankers were discussing the possible advantages of an announcement by the Bank that Bank Rate and the volume and use of credit were under the control of the Government, and an announcement by the Clearing Bankers that they had agreed to maintain a constant cash ratio of 10%. The Governor commented to the Committee of Treasury that the merits of announcing at some particular moment the existence of a control which had been in being for some time, and had Statutory support during the war, might be doubted; and although "window-dressing" might be indefensible, he would regret the substitution of a rigid cash ratio for traditional flexibility.

In November 1942 at a meeting of the Committee of Clearing Bankers the Governor referred to an article in the "Economist" of 10th October, "Banks in the Dock", explaining the banking system and defending the banks against the usual charges of creating "costless" credit, possessing a monopoly, etc.* He asked whether the banks would be willing to place copies of the "Economist" article on their counters. After consulting other bankers, the Chairman of the Committee said that they were unwilling to do so, on grounds

*The banks had themselves, in their annual reviews, laid stress on their costs, and on the increase in these during the war. But they do not appear to have dealt at length or very directly with the allegation that they "create" credit (an operation which could hardly seem expensive to the uninitiated) though a pamphlet issued by Mr. McKenna in 1942 covered the point.

on grounds that the article was "too technical".

In view of the bankers' attitude to publicity, it is not surprising that at a quarterly Bankers' Luncheon at the Bank of England (2nd February 1945) the Chancellor appealed to them to enlighten the public on banking matters. He said he had been "appalled" at the ignorance shown in the House of Commons by Members' Questions.

Another educational effort by the Bank took the form of encouraging, by financial assistance, the publication of one or two useful books on monetary matters*.

News Section - Secretary's Office

A News Summary had been started about 1925, solely for the benefit of the Governor, to give at a glance the outstanding items of financial and industrial news. With a growing appreciation of its usefulness, the circulation and scope of the Summary gradually increased, and by September 1939 fifty copies were being circulated daily. It was based mainly on information contained in "The Times", "Financial News" and "Financial Times", supplemented by items from the more popular dailies and four weekly periodicals. In addition, the Section included in their activities -

- (1) The supervision of an Exchange Telegraph printer and the circulation of interesting items;
- (2) The circulation of newspaper cuttings on particular subjects;
- (3) Parliamentary proceedings - a review of Hansard and circulation of questions and answers of interest;
- (4) The carding and filing of the more important items.

During the years of war, development was gradual rather than radical. A wider range of newspapers was covered, the number of periodicals increased to 33 weeklies, 15 monthlies and 7 quarterlies, and production was speeded up, copies being issued at approximately 10 a.m. In April 1942 special supplements began to be issued at appropriate times referring to articles in these various periodicals. The work of circulation, filing and carding was

*Revision of "The City" by Barnard Ellinger; and the same author's commencement of a short work " " now to be completed outside the Bank.

was expanded.

Minor developments were -

In September 1939 a wireless set was installed and note taken of the 8 a.m., 1 p.m. and 6 p.m. News Bulletins.

In April 1941 a Reuters City ticker was also installed, and news items of interest immediately circulated.

Mr.J.B.Rickatson-Hatt took up his duties on 10th March 1941. At the same time a Principal with extensive knowledge of the Bank's work was attached to the Section.