

Dimsdale, Nicholas, and Anthony Hotson, eds. *British Financial Crises since 1825*. Oxford: Oxford University Press, 2014. 210 Pp.

Financial crises have been rare in Britain in the last 150 years, and many of the contributions to this slim and highly readable volume seek to explain this. The book has its origins in a series of seminars at the University of Oxford and reflects the heightened interest in the history of financial crises after “our crisis” of the early twenty-first century. The contributors are well-established economic and financial historians who offer a variety of approaches and types of evidence from traditional historical narrative to econometric simulations. Several of the authors draw explicitly on their own recently-published books, book chapters or journal articles. This accomplished set of papers therefore offers a very convenient, detailed, and nuanced introduction and synthesis reflecting recent scholarship on British financial crises for those who want to go beyond broad treatments such as Kindleberger and Aliber (2015) or Reinhart and Rogoff (2009).

The book consists of 10 chapters, typically 15-25 pages in length. The editors provide both a short introduction and the book’s longest and most data-intensive chapter, which explores the relationship between British financial crises and economic activity, and identifies recurring features in different crises. Forrest Capie provides a second overview chapter which emphasizes learning by commercial banks and the Bank of England as the source of stability in British banking. His account covers a period of roughly 100 years from 1866 to the secondary banking crisis which followed the 1971 introduction of the new monetary policy regime, Competition and Credit Control, an event several of the contributors highlight as a turning point. During this time, in order to avoid crises, the Bank of England was willing to provide necessary liquidity, often in relative secrecy, and preferred to avoid close involvement in individual banks.

Of the remaining chapters, four focus on aspects of particular crises and three take longer thematic perspectives which consider the relationships between crises and liability structures in banking, functional specialization in the provision of financial services, and policy change. Capie's chapter and those on individual crises reinforce the impression that "every crisis is different," and therefore the importance of British pragmatism or improvisation in their resolution. Gareth Campbell examines the 1847 commercial crisis which followed the end of "railway mania," the Victorian era's "irrational exuberance." Marc Flandreau and Stefano Ugolini review the crisis of 1866 and suggest an important caveat to Capie's arguments: during this crisis the Bank of England had a very clear view of its counterparty exposures and its lending was less anonymous than the lender of last resort doctrine and Capie suggest. Richard Roberts discusses the crisis around the outbreak of World War One, the subject of his book on this topic (Roberts, 2013) which I reviewed in this journal in 2014. Dimsdale and Nicholas Horsewood consider Britain's 1931 suspension of the gold standard and use simulations to seek an explanation for why the impact of the Great Depression on the British economy was so much less serious than in many other countries. Their answer is that a fall in exports and higher unemployment were offset by higher personal disposable incomes and consumer expenditure, with real earnings boosted by reduced consumer prices through improved terms of trade, followed in the second half of the 1930s by the sharp rise in government expenditure attributable to rearmament.

John Turner and Avner Offer provide alternative but not contradictory explanations for long-term stability in British banking: contingent capital and functional specialization. These features have been lost, and the authors see merit in their reintroduction but are pessimistic that this can be achieved. Turner emphasizes the tendency of bank managers to shift risk and the inability of depositors and shareholders to monitor this effectively. He acknowledges that a return to contingent capital as a means of limiting risk-shifting, thereby aligning manager and shareholder interests, with particular emphasis on "skin in the game" for bank directors, would not find favor with those who would prefer their mistakes to be paid for by deposit insurance or taxpayer-funded bailouts. Offer's elegant critique of

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financialization (although he avoids use of the term) focuses more explicitly on the role of the financial elite and the triumph of neoliberalism. This created a “property windfall economy” (p. 170) in which many financial institutions shifted to a universal banking model and abandoned self-restraint, for which no effective financial regulation substituted.

The final chapter is the only one which does not focus on Britain. Here Youssef Cassis examines whether financial crises lead to policy change, and his answer is that there is rarely a simple connection, even for the limited number of major global crises which he considers. He is therefore circumspect on the possible long-term impact of “our crisis,” but suggests we may be close to a highly significant turning point “with the rise of new economic powers and the neoliberal model reaching its limits.” (p. 189)

Overall, this stimulating and expertly-written book is not an optimistic one. Financial crises are complex phenomena and the lessons of history are frequently hard to extract and digest, whether because these too are complex or, as several of the authors suggest, it is hard to return to a simpler world, not least due to the resistance of self-interested “financial elites.”

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WORKS CITED

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