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Book Review: Anne L Murphy, *Virtuous Bankers: A Day in the Life of the Eighteenth-Century Bank of England*, Princeton University Press, 2023 pp. xi + 275.

The story of the relationship between money and finance and economic development goes back a long way; certainly, to the nineteenth century. When it re-emerged in the late twentieth century, there was widespread agreement that, although caution was required, the great bulk of theoretical reasoning and empirical evidence pointed to there being a strong relationship between financial development and economic growth. Some went further to insist that the evidence showed that the level of financial development was a good indicator of how rates of economic growth would look in the future. These views were widely endorsed by both economists and economic historians in the following years.

The case for England looks compelling. The industrial revolution is commonly considered by historians as beginning in the eighteenth century, with recent work dating it from the 1740s or earlier. The origins were essentially a mid-eighteenth-century phenomenon. Furthermore, it is equally well established that in England the financial revolution preceded the industrial revolution. The financial revolution was at the end of the seventeenth century, stretching from 1690 to 1720. A long list of innovations and changes can be given, from the prospering of commercial fractional reserve banking following its beginnings in the 1670s, through the reform of the coinage in 1696, and the establishment of credible government debt. There was also the appearance of a recognisable stock market in the 1690s and of course the establishment of the Bank of England in 1694. Thus, there was clearly a financial revolution ahead of the Industrial Revolution, and on the surface, there would seem to be a good case for saying that the British experience fitted the general story that is increasingly being told of financial development preceding growth in the real economy.

Furthermore, the extent of financial development looks like a good predictor of an improvement in the rate of economic growth. While it is true that fractional reserve banking became established in the late seventeenth century, the extent of financial intermediation was limited until banks had found a safe way to arrange their balance sheets. In technical terms, the banking multiplier remained low and stable. There was of course a great growth in banking in that century. But the growth in the banking multiplier took place in the nineteenth century, and the fastest rates of economic growth were to follow.

By the late eighteenth century, the Bank of England was at the center of the increasingly sophisticated banking system. It is a picture of the working of this Bank that Anne Murphy provides in great detail. Money and finance were at the center of the process and they both depended hugely (totally?) on trust. The title of the book is highly suggestive that we are going to discover the Bank's contribution in these terms.

The prevailing political philosophy of the eighteenth century was Mercantilism, the over-arching importance of the State—what in big part Adam Smith was complaining about. And as ever with the big state was the accompanying corruption, what came to be called "the old corruption". As the eighteenth century wore on, there were growing concerns about it, and fears that it was damaging prospective prosperity. Related to this was a concern over trust.

David Hume had written that while there was a legal framework in place businessmen preferred to build a good reputation rather than have recourse to the Courts. Yet the regulated State militated against that. The regulation was a substitute of a kind for trust, as the State assumed responsibility for what happened.

It was concerns over these kinds of issues that prompted the Bank to institute an inquiry into its behavior. The Committee of Inspection (as it came to be called), was appointed in 1873 to report to the Committee of Treasury. It would look at all aspects of the Bank's work so that defects discovered could be corrected and so confidence in the institution could be upheld. The Bank had done a good job of building a reputation in the eighteenth century. That had partly been driven by its desire to retain and advance its substantial privileges. It was also influenced by its desire to avoid the kind of parliamentary scrutiny to which, for example, the East India Company was subjected. Furthermore, towards the end of the century, the press was pushing for reform and the Bank wished to make sure that it kept ahead of the game.

It is important to bear in mind what a literally open institution the Bank was at the time, and Murphy brings this out clearly. It was a great meeting place for trading, the exchange of information and more general discussion of business. The work of the clerks and others could be seen in operation. To some extent, this contributed to openness and accountability. But at the same time, the Bank had its critics. As Murphy points out, the Bank was a political animal and the relationship between the Bank and government was seen by some as unhealthy, one that created opportunities for corruption. The Bank was acting to deflect such criticism. The Committee submitted six reports as their investigation proceeded over the year from March 1783 to March 1784. They looked first at the Chief Cashier's Office and, because of worries, next to the security concerns in out-of-office hours. They then turned their attention to the Chief Accountant's Office—made up of 15 offices, then to the conduct and behavior of the clerks before concluding with thoughts on management and other business they considered of interest.

All of this Murphy has tackled ingeniously through a detailed examination of the work of the Bank in all its aspects in a day. Thus, the book is radically different from most books on this subject. It is a "history", but it takes place in over a day. On that day it shows the working of the Bank in all its manifold aspects.

The story is appropriately supplemented, but not overwhelmed, with interesting pictures and figures. The Appendices reproduce the six reports of the Committee. This is an extremely interesting account that can be highly recommended to all central bank watchers, and perhaps particularly today when there is a growing interest in the governance of these institutions.

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