The Centre for Economic History is launched!

Crisis and change in historical perspective
Reports on the conference

Prof Nick Mayhew, Winton Institute for Monetary History, Oxford, *Money and prices in medieval and early modern England.*
Professor Mayhew opened proceedings with a stimulating and wide-ranging paper examining the impact of the money supply on the English economy from the eleventh to the eighteenth century. Many previous historians have seen demographic expansion and consequent increase in demand as the key causal factor behind price changes but Mayhew argues for the primacy of monetary factors. He proposes a reversal of the standard explanation for the economic and demographic expansion of the High middle Ages, whereby an increase in the money supply led to increased prices which encouraged economic investment and growth. This economic growth permitted earlier marriage and family formation, which led to a rising population. Mayhew also challenged the depiction of the fifteenth century as a 'golden age' for the English working class, pointing out that apparently high real wages may not have translated into actual household income if there was a lack of opportunity for employment.
Professor Mayhew also made some important methodological observations and suggestions. He made the crucial point that indices of real wages exclude rent costs and housing prices and thus may exaggerate disposable income. Moreover, the practice of valuing real wages and prices in terms of silver and using this as the basis for comparison of international wages and prices, involves assumptions about the silver content of different coinages in practice. Instead, Mayhew suggested that either real exchange rates or nominal wage/price ratios might be more suitable. This has far-reaching implications for the debates about the 'Great Divergence' between Western Europe and the rest during the eighteenth and nineteenth centuries.

Prof Harold James, Princeton University, *Making the European Monetary Union.*
Professor James gave a comprehensive overview of the history of efforts and proposals to form European monetary unions since the 1860s, which provided new perspectives on more recent events. One interesting example was Walter Bagehot's 1869 proposal for a division between Latin and Teutonic monetary blocs in Europe, one that echoes contemporary debates about how to resolve the tensions within the Eurozone today. James also made an interesting contrast between two views of the role of monetary authorities: the first that controlling the currency was a key aspect of the state and the second that monetary affairs could be divorced from the state and politics and entrusted to an independent body.
Turning to the current situation in Europe, James distinguished between successive waves of enthusiasm for European Monetary Union, making the point that in the 1970s the concept was driven by politicians but by the 1980s and 1990s it had been left to the technocrats. This trend was reinforced by the

inflation of the 1970s and the idea that price stability and monetary policy could best be handled by independent central banks able to take hard political decisions free from the pressure of answering to the electorate. According to the Maastricht Treaty, the European Central Bank (ECB) was to be restricted to monetary matters and was not supposed to play a significant macro-economic role. Unfortunately, key issues about regulation of cross-border financial services and co-ordination of fiscal policy between the national governments were fudged, with the results that we can see today. Moreover, since 2008, James pointed out, central banks across the world, including the ECB, have had to take a more interventionist role to support first the banks and now national governments, which raises questions about the lack of democratic oversight and whether we need to return to a view of control of the money supply as a key duty of the state and inherently political. Perhaps more pressing, the collapse of federal states such as the Soviet Union and Yugoslavia was partly a result of the belief in peripheral regions that the central banks were determining monetary policy in the interests of the core. It remains unclear whether the ECB and EU national governments can learn the necessary lessons from history set out by Professor James or if they are doomed to repeat the mistakes of the past.

The afternoon papers extended the topics to the early modern and modern period.

Dr D'Maris Coffman, Centre for Financial History, Cambridge, *Re-thinking the origins of the British public debt, 1643-1742.*
Dr D'Maris Coffman examined the origins of British public debt in the period 1643-1742. She argued that features of 'credible commitment' could be seen in Britain in this period, and that they could be attributed to British, rather than Dutch policy. However she suggested that financial innovation did not occur swiftly enough to tackle the public debt crisis of 1647/8. Instead institutional improvements occurred more gradually and with the consent of subjects. Despite transparent administrative procedures, religious differences between Catholics and Protestants may have created distrust within the financial system.

Prof Philip Cottrell, University of Leicester, *Banking in Greece during the 1880s* was the subject of Prof. Philip Cottrell's talk. This talk examined the three factors that contributed to the chronic condition of the Ionian Bank, a bank based in London that operated rural branches in British protectorates in Greece. During this period the bank experienced a take-over bid, the loss of its British legal constitution and a crisis within the Greek government. The discussion afterwards revolved around whether it was possible to learn any lessons from how crisis was managed, and over the extent to which the nature of the Greek economy may have been a contributing factor.

Prof Brian Scott-Quinn, ICMA Centre, University of Reading, *This time is different – really.*
The final paper of the conference was presented by Prof. Brian Quinn on the subject of 'This time is different-really'. What differentiated the crisis of 2007 from other financial problems, such as the dot-com bubble, was the fragility of

the regulatory system, Quinn argued. This fragility, which is only now being tackled, was caused by a change in a composition of the assets and liabilities held by banks and too close a relationship between the regulators and the financial sector. There was a lively discussion after the paper regarding the extent to which the financial sector will be more resilient in the future and over whether 2007 and its aftermath could truly be considered to be a crisis.

Rev Dr Margaret Yates
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