

Scottish Affairs, no.19, spring 1997

REVIEW: BANK OF SCOTLAND: A HISTORY, 1695-1995

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Richard Saville (1996), **Bank of Scotland: A History, 1695-1995**. Edinburgh:
Edinburgh University Press, hb, ISBN 0 7486 0757 9, pp xxxv + 1089, £50.00.

This is a remarkable book. It is remarkable on several counts: its sheer size, there are 817 pages of text, 110 pages of appendices, nearly one hundred pages of statistical tables, and it must weigh almost as much as one of the Bank's ledgers; the prodigious energy and skill of the author in making sense of the mountain of primary and secondary material which had to be mastered in its composition; and the fact that the book has been conceived and written not as a mere history of a long-established institution but as an integral part of modern Scottish history. Whether the end-product is precisely what the Bank either expected or wanted cannot be known. Certainly, the Governor's 'Foreword' is less effusive than is customary with such commissioned works.

If the core of the book is the reconstruction and analysis of the accounts - a task the difficulty of which can only properly be appreciated by those who have attempted similar exercises - their interpretation is founded upon a thorough knowledge and understanding of contemporaneous political, social and economic developments. This approach works particularly well for the chapters on the eighteenth century, where Saville makes plain the close connection between high politics and finance. And if the early period is dominated by the plots and intrigues of Henry Dundas, he is surrounded by 'a cast of thousands', seemingly all with resounding titles. Later, of course, what might be called the politics of Scottish banking is concerned not so much with individuals and parties as with power struggles with the City of London and with the Bank of England, in particular. It has to be said that

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occasionally the comprehensiveness of Saville's coverage makes for such bewildering complexity that the cowardly economic historian might be advised to resort to Sydney Checkland's **History** to find a way through the maze (or even to the more popular **Bank of Scotland** by the Bank's own Archivist, Alan Cameron, published a few months earlier than Saville's volume).

This is not the place - nor your reviewer, the person - to elaborate upon the political and economic linkages revealed by Richard Saville. It is sufficient to emphasise that they fruitfully inform his history and make it compulsory reading for those who seek to understand the evolution of modern Scotland. Central to his argument is the importance of the Bank to the development of the Scottish economy. He makes a convincing case, especially for the nineteenth century, a period when, as it were, Henry Dundas gives way to Alexander Blair, Treasurer of the Bank, 1832-1859, and perhaps the most perspicacious and influential of the Bank's officials during this period. It was the success of Blair's conservative policies that secured the Bank's survival in the financial crises of the Victorian period. Saville is particularly good on the crises which beset banking in 1837, 1857, 1878 and 1890. He may say little that is novel on the crises themselves, but he provides illustrations of enormous interest to the Bank's role in them. The correspondence between the Bank and the Governor of the Bank of England at the time of the Baring crisis of 1890 is very illuminating.

What is always apparent is the Bank's tenacity in pursuing policies designed to ensure its own survival. This is not simply a specific manifestation of a strategy, repeatedly encountered in all sectors of economic life, to maximize long-term profits, but one animated by a deep-rooted and conscious belief that the Bank had a vital role to play in contributing to Scotland's social and economic progress. As Saville observes:

The system established by the Bank of Scotland Act of 1695 provided mechanisms for building a substantial basis of credit on a relatively small capital by the issue of paper money. This advance was buttressed by the institutions of society, politics and the legal system and, although it encountered many difficulties, was able to develop into one of the most important parts of the credit available to agriculture, industry and commerce.

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That this was so during the eighteenth century is undeniable; but was its legacy too conservative a policy for later centuries? When in subsequent years competing joint stock banks established in Glasgow chose to fuel more rapid economic growth by more liberal lending policies, they had only themselves to blame when boom turned to bust and the two senior Edinburgh banks were forced reluctantly to come to their rescue. Meanwhile, the Bank of Scotland put the bulk of its funds into government securities. Therein lay stability, reasonable returns and a guarantee of longevity. Eventually, all the other Scottish banks would be forced to appreciate the rightness of this policy, join the General Managers Committee, dominated by the Bank, and take steps to inhibit competition. At times, the sanctimonious whiff surrounding the Mound seems almost tangible.

This is not to say that the Bank failed to lend to industry and commerce. Saville provides examples of firms assisted in this way throughout the entire chronological span of his book, and many of those invited to join the Board were first and foremost industrialists, but it was all done with the least possible concession to risk. Perhaps the outsider with the benefit of hindsight has no right to expect otherwise, but many of those whose investigations have been concerned with the would-be borrower have sometimes been reduced to impotent fury when their subjects appear to have been turned away empty-handed from the Bank parlour. Saville tells us of some of the Bank's industrial borrowers: he is silent about those who asked and were refused, but so, of course, might be the Bank's own archives? Be that as it may, Saville makes it clear that the Bank usually operated on very thin margins (in view of its caution, perhaps this is all it deserved?) and the disastrous impact of just a few bad debts on the balance sheets inevitably made for extreme prudence.

The vital question is whether the Bank could and should have done more to alleviate the growing difficulties experienced by the Scottish economy after, say, 1878? The very date is significant, for it is that of the failure of the City of Glasgow Bank, which had such malign repercussions in the West of Scotland. This unhappy episode seems to vindicate the Bank's policies. But was stability brought at too high a price? Saville indicates that the Bank would have lent more to agriculture and to industry had it been asked: 'we would gladly welcome such a demand on us on the part of those entitled to credit, as we would much rather lend to our customers than be compelled to increase our holdings of Government securities', lamented the Governor in 1936. But what factors determined 'those entitled to credit'? The balance of evidence suggests that the Bank did not fail industry or the Scottish economy

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generally, and by the 1960s the Scottish banks were prepared to support any reasonable proposal. It is only the inter-war and immediate post-war periods that are really in doubt.

Since the war, many things have changed. Competition has returned to banking, particularly since the abolition of the General Managers Committee in 1971. Having explained how the Bank came to take over the Union Bank of Scotland and the British Linen Bank, for which he has provided individual histories, Saville's most fascinating excursion into the investigation of absorbed concerns is his examination of North West Securities Ltd. - later the NWS Bank - acquired in 1957. The activities of this arm of the Bank typifies its new dynamism and aggressiveness, and partially explains the Bank's combative reaction to threats to the independence of Scottish banking. The Bank continues to believe that it has a duty to Scotland which only resistance to the centralising tendencies of the Bank of England and the City of London will permit it to fulfill. If it is legitimate to read between the (many) lines, the Bank has some justification for its suspicious attitude: the Bank of England appears to have been singularly unhelpful in the Bank's efforts to ward off predators in the 1980s.

Saville believes that his detailed chronicle is a success story, and the reader who traverses the path with him cannot but agree. The Bank has contributed 'to the process of [Scotland's] economic development and the improvement of its living standards' (p.702). It has also survived three hundred years and those who consult this major work - for few, I fear, will read it from beginning to end - will not only understand why, but will be grateful to the author and to the Bank for its enlightened policy of permitting him to pursue his researches and objectively to present his findings. He has done so with a sureness of touch that stems from several years' complete immersion in the Bank's magnificent archives. The style is clear; there are few purple passages; and rarely is there resort to impenetrable jargon. Only the Plates disappoint. They seem to serve no purpose whatsoever. Unusually for a commissioned history, there is little attempt to depict those who made it all happen. Has the Bank gone too far in avoiding the cult of personality which so often explains the more erratic evolution of lesser institutions? Certainly, the great majority of the Bank's recent or current officials or employees, whose first action might be expected to have been to consult the index to see if they were 'in' or not, will have been disappointed. The staff remain largely anonymous. More understandably, so too do most of the customers, for the Bank properly insisted that nothing be said that 'would identify customers' accounts to outside parties' (p.xxiv). But we can hardly grumble: only a

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couple of decades ago, few if any banks would grant access to their records to an outsider let alone permit him to interpret them. Saville has provided us with riches enough. His study constitutes a major contribution to Scotland's history and to economic and business history. He and the Bank deserve congratulations and thanks.

January 1997