

Institution: Queen's University Belfast		
Unit of Assessment: UoA 17 Business and Management		
Title of case study: Making banking crisis proof: Helping the Bank of England and financial analysts learn from past crises		
Period when the underpinning research was undertaken: 2003-2015		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
John Turner	Professor	2000 to present
Gareth Campbell	Professor	2009 to present
Christopher Coyle	Senior Lecturer	2013 to present
Charles Hickson	Senior Lecturer	1992 to 2009
Period when the claimed impact occurred: June 2014-2019		
Is this case study continued from a case study submitted in 2014? N		
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>John Turner's research focuses on historical financial crises. He uses past crises to help shed light on why crises happen and what we can do to prevent future banking crises. Turner's research has had a beneficial impact on policy-making, professional practice, and the historical awareness and knowledge of staff at the Bank of England. It has also had a beneficial impact on the non-academic study of business history and has reached tens of thousands of financial analysts.</p>		
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>Turner has investigated why historical banking systems have been stable and what makes them stable. One of his chief insights is the important role that extended shareholder liability has played in creating stable banking systems. Much of the underpinning research for this impact case study is based on John Turner's book <i>Banking in Crisis: The Rise and Fall of British Banking Stability</i> [Ref 1]. This book built on his previous work in this area with Campbell, Coyle and Hickson [Refs 2, 3, 4, and 5].</p> <p>His book was written in response to the 2008 Global Financial Crisis and it asked a key question of importance to central bankers and economic policymakers: can the lessons of the past help us to prevent another banking collapse in the future? <i>Banking in Crisis</i> was the first academic study to tell the story of the rise and fall of British banking stability over the past two centuries, and it sheds new light on why banking systems crash and the factors underpinning banking stability.</p> <p>In the monograph, Turner used a novel approach to measure the stability of a banking system. He developed a monthly index of bank share prices stretching back to 1825 and used this index to assess banking stability and identify banking crises. The startling and novel finding from Turner's research was that the 2008 financial crash represented the first major banking crisis experienced in the UK since 1825. In an article subsequently published in the <i>Journal of Financial Stability</i>, Turner and his co-authors used the bank share price index developed in</p>		

Banking in Crisis to examine the consequences of banking instability. The main finding of the paper was that banking instability increases the cost of borrowing for businesses [Ref 6].

Much space in *Banking in Crisis* is devoted to explaining why the British banking system was stable for such a long time. From 1825 until around World War II, shareholders of British banks faced calls on their personal wealth because UK banks were not pure limited liability banks – they had unlimited liability until the 1880s and extended liability thereafter. This meant that whenever banks made lending decisions, they had ‘skin in the game’, which curtailed them from taking excessive risk. From the beginning of World War II through to the early 1980s, British banks faced stringent government controls which gave them little room for manoeuvre and prevented them from making reckless loans. Starting in the 1970s, these controls were removed. This deregulation was a recipe for disaster. Over time, banks started increasing their lending, particularly to the risky real-estate sector, which resulted in a property bubble. The collapse of this bubble resulted in huge losses for British banks and the collapse and subsequent rescue of the UK banking system.

The main lesson for central bankers and policymakers from Turner’s book is that banking can only be stable if bank shareholders have ‘skin in the game’ or if banks face stringent government controls on their assets and lending.

3. References to the research (indicative maximum of six references)

1. Turner, John D. (2014) *Banking in Crisis: The Rise and Fall of British Banking Stability*. Cambridge: Cambridge University Press. ISBN: 9781107609860. Listed in REF 2.
2. Turner, J. D. (2009) “Wider Share Ownership?: Investors in English Bank Shares, 1826-1900”, *Economic History Review*, vol. 62, pp.167-92. DOI: <https://doi.org/10.1111/j.1468-0289.2009.00477.x>
3. Acheson, G. G. and Turner, J. D. (2006) “The Impact of Limited Liability on Ownership and Control: Irish Banking, 1877-1914”, *Economic History Review*, vol. 59, pp.320-46. URL: <https://www.jstor.org/stable/3805938>
4. Hickson, C. R. and Turner, J. D. (2004) “Free Banking and the Stability of Early Joint-stock Banking”, *Cambridge Journal of Economics*, vol.28, pp.903-19. DOI: <https://doi.org/10.1093/cje/beh036>
5. Hickson, C. R. and Turner, J. D. (2003) “Trading in the Shares of Unlimited Liability Banks in Nineteenth Century Ireland: The Bagehot Hypothesis”, *Journal of Economic History*, vol. 63, pp.931-58. DOI: <https://doi.org/10.1017/S0022050703002493>
6. Coyle, C., Campbell, G., and Turner, J.D. (2016) “This Time is Different: Causes and Consequences of British Banking Instability over the Long Run”, *Journal of Financial Stability*, vol. 27, pp.74-94. DOI: <https://doi.org/10.1016/j.jfs.2016.09.007>

By July 2020, *Banking in Crisis* had sold over 3,500 copies and a Chinese translation of the book was published in spring 2020. The book was awarded the Wadsworth Prize 2014 by the Business Archives Council. The citation from the prize committee stated the following: “This is both an original and an important book. It provides a lucid analysis and critique of the development of British banking over the last two centuries...*Banking in Crisis* elucidates with admirable clarity complex financial concepts and debates as context for discussion of the long-

term development of British banking...In sum, it is a book that is original, insightful, persuasive, timely and highly readable.”

4. Details of the impact (indicative maximum 750 words)

Turner’s research has had a beneficial impact on policy-making, professional practice, and the historical awareness and knowledge of staff at the Bank of England, particularly with regard to its prudential objectives. Insights from his research have reached an estimated 125,000 financial analysts across the globe. His book, *Banking in Crisis*, has sold more than 3,500 copies and has been recognised by the Business Archives Council for the contribution which it has made to the study – academic and professional – of business history.

Since 2014, Turner has been actively helping the Bank of England embed financial history into its policymaking, drawing on his research and expertise accumulated while preparing *Banking in Crisis*. His first interaction with the Bank was when he gave a talk based on his book to some 200 Bank staff on 28 July 2014. He was also invited to join three ad hoc committees and to input into the work of a further group as follows:

- An external advisory committee which was set up in 2014 to advise Sam Woods, the Bank’s Deputy Governor for Prudential Regulation, and his colleagues on how the Bank could use financial history to inform present-day policy-making [Source 1,2,3]. Turner was the only economic historian in this group. He was asked to advise Bank economists who were examining past crises on the relevance of their work to current policy. [Source 2,4].
- A committee on the future governance of the Bank of England which met in September 2014 [Source 1,2]. Turner was invited to join this committee by the Bank’s Chief Economist, Andy Haldane. This committee, which included nine Bank of England staff, discussed the future structure and regulation of the UK banking system. Turner was the only economic historian on the committee with a brief to provide the historical perspective on making banking crisis proof.
- An expert group which advised the Bank in 2015 on the preservation of the Bank’s archives related to the 2008 financial crisis. Turner was invited to join this group in October 2015 by the Bank’s Chief Economist, Andy Haldane, and by the Bank’s Head of Archives, Mike Anson [Source 1,2]. Turner was one of three economic historians on the group. His role was to advise on which records should be preserved from the 2008 crisis to help guide the Bank when the next crisis occurred.

Moreover, as a result of advice provided by Turner and others to the first of the aforementioned committees, the Bank of England set up an innovative Financial Stability History Workshop in 2014; this initiative was designed to help staff to develop and share historical knowledge which supports the Bank’s policy making and delivery [Source 2]. About 40 Bank staff are members of this group. Turner delivered, by invitation, two talks to members of this group in 2014 and 2018 respectively. These talks were based on content from Turner’s *Banking in Crisis* book and on his forthcoming book on financial bubbles. Turner also participated in meetings of this Workshop in 2014 and 2015, and provided feedback to staff members on their own research [Source 2,6].

The Bank's Deputy Governor for Prudential Regulation summed up the contribution of Turner's research and expertise to the Bank's policy-making, professional practice, and staff knowledge and awareness thus:

"By helping staff to acquire knowledge about the history of financial crises, Professor Turner has made a valued contribution to the Bank of England's pursuit of its objectives promoting the safety and soundness of regulated banks and insurers and maintaining financial stability..."

"The subjects of Professor Turner's research are directly relevant to the Bank of England's prudential objectives. His sustained engagement with the Bank means that its impact will be felt through the enhanced policy-making and supervisory abilities of the staff whom he has helped equip with new historical perspectives." [Source 2].

Commenting on the impact of the Financial Stability History Workshop, two of the Bank's economists commented:

The [Workshop] group continues to be extremely popular in the Bank and it has achieved its aim of improving staff's knowledge of financial history. The impact of this on policy is indirect and hard to quantify, but could prove very significant. For instance, the former Chair of the Federal Reserve, Ben Bernanke, credits his response to the challenges in the Global Financial Crisis to his knowledge of the Great Depression. [Source 3].

The economists also noted that Turner's research and advice had had a tangible impact on specific research and policy debates at the Bank and that, in particular, his work on the history of extended and unlimited liability in the banking system had informed discussions at the Bank about contingent capital [Source 3,5].

In addition, the impact of and engagement with Turner's research has reached well beyond the Bank of England. His book, *Banking in Crisis*, has sold more than 3,500 copies across the UK, Europe, United States and Asia [Source 12]. It has been translated into Chinese following demand from that market for a Chinese version [Source 12]. In 2015, the book was awarded the Wadsworth Prize 2014 by the Business Archives Council. This prize is awarded on an annual basis for a book which has made an outstanding contribution to the study – both academic and professional – of business history. The citation from the prize committee stated the following: "This is both an original and an important book. ...In sum, it is a book that is original, insightful, persuasive, timely and highly readable." [Source 13]

Banking in Crisis was among the books listed by the blogger and financial journalist, Bilal Hafeez, as essential reading for anyone working in the financial industry. He stated "I accidentally stumbled across this book, and couldn't recommend it more highly for those interested in the banking industry." [Source 10]

Writing in the *Economic History Review*, Mark Billings, an academic at the University of Exeter's Business School, commented:

Not all historians of British banking would agree with all Turner's arguments, but all will surely want to read this stimulating book and recommend it to their students. Regulators and policy makers should also read the book, not least to be shaken from any post-crisis complacency by Turner's gloomy conclusions on the direction of banking regulation. [Source 11]

Turner also drew on insights from his research when he was commissioned, in 2014, along with Dr David Chambers of the University of Cambridge, by the global Chartered Financial Analyst (CFA) Society and Institute to write an article on financial history which was distributed to the CFA's 170,000 global membership [Source 7,8]. Moreover, he was asked to write a thought leadership article on the history of financial crises for the special 60th anniversary edition (Spring 2015) of the CFA's *Professional Investor* publication, which is distributed to 11,000 investment professionals in the UK [Source 9].

5. Sources to corroborate the impact (indicative maximum of 10 references)

1. Letters of invitation and emails from Bank of England to join various committees.
2. Testimonial from the Bank of England's Deputy Governor for Prudential Regulation and CEO of the Prudential Regulatory Authority.
3. Testimonial from two Bank of England economists, involved in the delivery of the impact.
4. The invitation to speak about *Banking in Crisis* at the Bank, dated 25 June 2014.
5. Speech entitled '[Who owns a company?](#)' given by Andy Haldane, the Bank of England's Chief Economist.
6. Piece on [City of Glasgow Bank failure](#) in the *Bank of England Quarterly Bulletin*, 2015, Q1.
7. Contract for thought leadership article from CFA Institute.
8. Thought leadership article produced for CFA. "Why Financial Market History Matters to Investment Practitioners", August 2014, co-authored with David Chambers (Cambridge).
9. Article entitled 'Financial history: what can investors learn from the past?' in the CFA's *Professional Investor* publication, Spring 2015, pp. 30 - 32.
10. Bilal Hafeez '[My Reading List for Success at Work, Part 2](#)', *Insights to Live a Better Life* blog, 28th September 2016.
11. Billings, M. [Review of Banking in Crisis](#) in *The Economic History Review*, Volume 68, Issue 3, October 2015, Pages 1072–1073.
12. Cambridge University Press Royalty Statement 30 June 2020 and front cover of Chinese translation of book.
13. Wadsworth Prize 2014 – citation.