



University of Insurance and Finance, Sofia, Bulgaria & Middlesex
University, London, United Kingdom

**Debt, Design, and Disparity: Monied Power and
The Institutional Roots of Unequal Britain**

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by

Dr Plamen Ivanov

St. Grigoriy Bogoslav

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Book Reviews

“A masterful work of monetary and institutional analysis, this book traces how British inequality was engineered through the entwining of private money creation and public debt since the founding of the Bank of England. Using a rare 250 year dataset, it dismantles comforting orthodoxies, shows how debt charges shift income from taxpayers to rentiers, and sets out a workable antidote: decentralised, community owned banking that returns credit to the real economy and local enterprise. Rigorous, bold, and policy ready, it offers a credible blueprint to democratise money and renew prosperity.”

Prof. Richard A Werner, Professor in Banking, Finance and Economics; Inventor of Quantitative Easing (“QE”)

“Debt, Design, and Disparity offers a fresh, highly readable retelling of how the Bank of England came to be—and why its early design choices still matter today. Instead of repeating the familiar founding myth, the book follows the people, money flows, and documents that actually built the Bank, bringing to life the Huguenot merchant network around Threadneedle Street—especially the Houblon family—whose capital and governance shaped the institution from the start.

Drawing on rich archival materials — ledgers, minutes, letters — and a long run of historical data, the author shows that the Bank’s model of private money creation linked to public debt was not a technical accident but a clear institutional choice. Step by step, the narrative explains how this design set the routines of British finance for generations: how credit was organized, how public borrowing worked, and how the state and markets learned to rely on one another. Clear, engaging, and meticulously sourced, Debt, Design, and Disparity invites readers to see a well-known story from a striking new angle. It is a compelling work of historical detection that connects vivid archival detail with big-picture lessons about how financial institutions are made—and how their original design continues to shape public life today.”

Prof. Dr. Virginia Zhelyazkova, Head of International Economics, Bulgarian Academy of Sciences, Sofia, Bulgaria.

“Dr Plamen Ivanov proposes a critical assessment of the creation and development of the Bank of England. Mobilizing modern scholarships on inequality and institutional theory, he suggests that the concept of inclusive institutions lies in the eyes of its beholder. An institution might be inclusive in allowing a rising social class – the merchants in this case – to compete for power with the incumbent dominant class – the landowner. This institutional change does not necessarily mean that it will benefit all. Even if you might disagree with the ideas advanced by the author, this is a thought-provoking reading that will inspire scholars on new research paths.”

Prof. Sami Bensassi, Professor in Development Economics, University of Birmingham, Birmingham, United Kingdom.

The question as to why wealth continues to accumulate in the hands of the wealthy is being asked with renewed fervour in our times. In pointing a finger at one of the less commonly considered culprits, Plamen shows just how much may hang on corporate historiography: the stories that institutions tell about themselves. And it is the mysterious – or indeed folkloric – origins of the Bank of England that Dr Ivanov argues are key to understanding what has entrenched the divide between private wealth and public debt in Britain. By piecing together a historically-evidenced account of the Bank's founding in the throes of the so-called Glorious Revolution of 1688, Dr Ivanov not only urges us to revisit our history lessons, but also points the way to avenues of reformation that might ultimately bear fruits of fairness and justice – not only in Britain and its Anglophone orbit but perhaps more widely.

***Dr Richard Gunton, Senior Lecturer in Data Science, Queen Mary, University of London,
United Kingdom***

Abstract

University of Insurance and Finance, Sofia, Bulgaria
Department of Finance

Debt, Design, and Disparity: Monied Power and The Institutional Roots of Unequal Britain

by Dr Plamen Ivanov

This book investigates the long-run institutional roots of economic inequality through a historical and socio-economic analysis of the Bank of England's founding and evolution. Drawing on the framework of *historical organization studies*, it situates the Bank as a pivotal agent in the emergence of a rent-seeking order based on the dual system of private money creation and public debt financing. The first chapter re-examines the canonical narrative of the Bank's origins, questioning the celebratory portrayal of figures such as the buccanneer William Paterson, the Chancellor of the Exchequer Charles Montagu, and the Whig merchant Michael Godfrey. By applying a longitudinal and comparative methodology inspired by Thomas Piketty, this study finds that the French Church community around Threadneedle Street, rather than the oft-cited triumvirate, played a more determinative role in the Bank's founding.

The second chapter extends this analysis by deploying the *narrating* mode of inquiry. It shows how a narrow group of Whig entrepreneurs successfully denationalised credit issuance and institutionalised a new financial regime centred on the private Bank of England. Contrary to North and Weingast's (1989) influential thesis, this institutional transition did not secure a more open economic order, but rather enabled a system in which public resources were appropriated through fiscal channels for the benefit of private shareholders.

The third chapter contrasts this historical institutional framework with the present-day configuration of tax extraction and wealth concentration, employing a novel analytical lens that moves beyond standard measures of inequality. The final empirical chapters use a 250-year dataset to demonstrate the enduring rent-extracting logic of Britain's monetary institutions prior to the World Wars. These findings situate credit institutions as central actors in shaping not only the distribution of wealth, but the architecture of the political economy itself.

In response, the book proposes a policy alternative: the establishment of a network of local community banks with broad-based ownership structures. This model seeks to democratise the benefits of credit allocation without recourse to coercive redistribution or public austerity. The objective is to reimagine money creation not as a privilege of the few, but as a public utility capable of serving the many.

Table of Contents

Abstract	4
List of Tables, Figures and Graphs	8
Acknowledgements	9
Introduction	10
Rationale for Research	12
The Current Debate on Inequality	13
Research Aims & Objectives	18
Research Hypothesis.....	19
Chapter 1: Princes of the Pound.....	20
Chapter 2: The Forging of Capitalism.....	21
Chapter 3: The Roots of Economic Inequality	22
Concluding Remarks	23
Princes of the Pound: Who Masterminded the Creation of the Bank of England?.....	24
Abstract	26
Introduction.....	26
Integrating Management and Business with History.....	31
Historical Organisation Studies in the Explication Mode.....	33
Rhetorical History and Intertextuality	36
Archival Work.....	40
Institutional Entrepreneurship Literature.....	44
Key Institutional Entrepreneurs in the Founding of the Bank of England	47
a) William Paterson.....	49
b) Charles Montagu.....	58
c) William of Orange	59
d) Michael Godfrey	61
e) The Houblons.....	63
Conclusion & Closing Remarks	67
The Forging of Capitalism and the Establishment of the Modern Institutional Order	72
Abstract	74
Revisiting ‘Constitutions and Commitment’	74
How do 17th Century Economic Institutions Really Work? Theory vs. Empirical Evidence	77
The Antwerp Agency: How did the Bank ‘remit’ money to Flanders?	83
The Disremembered Anglo-Dutch Moment	90
Historical Organisation Studies in the Narrating Mode.....	90
Context of the Institutional Change.....	93
The Founding of ‘Inclusive’ Political Institutions	96
The Bank of England: A Guide to Its Establishment.....	98
Identifying North and Weingast’s <i>Faceless Winners</i>	102
Policy Recommendation and Conclusion	107
The Roots of Economic Inequality: Empirical Evidence from a 250-Year Data Set.....	110
Abstract	112
Introduction.....	112
A Brief History of Taxation in the United Kingdom.....	119

Empirical Analysis	134
Data and Descriptive Statistics.....	135
Unit Roots Testing and Correlations	136
Model Specification	137
Regression Estimation Results	138
Implication of Empirical Findings about the Contemporary Rent-Extracting Institutional Order	141
Policy Recommendations	144
Repayment and Cancellation of National Debt	144
A Decentralised System of Banking to Alleviate Inequality and Promote Functioning Democratic Societies: A Utopian Dream or a Viable Alternative?	148
Structural Reform of the Banking Sector	155
The Disremembered 19 th Century Reform Plans in English Public Finance.....	159
Conclusion	161
Conclusion and Future Research Tasks	164
Limitations of the Research	183
Grounds for Optimism.....	187
List of References	192
Introduction.....	192
Chapter 1	198
Chapter 2	208
Chapter 3	219
Conclusion and Future Research Tasks	230
Appendices	236
Appendix A - Translation from Dutch of a Letter about Money Borrowed in Holland by the Bank of England.....	236
Appendix B - Succession Planning at the Bank of England	238
Appendix C - Information on selected founding Bank of England shareholders.....	242
Appendix D - Supplementary Information	253
Appendix E - Raw Data	255

List of Tables, Figures and Graphs

List of tables

Table 1: Bank of England Stock Price	54
Table 2: Stylised T-Account of the Bank of England at End of 1694	80
Table 3: Succession Policy at the Bank of England	105
Table 4: Key Personnel at the Exchequer	125
Table 5: The Public and the Private Money Systems Vis-a-Vis	134
Table 6: Summary Statistics	136
Table 7: Unit Roots Test.....	136
Table 8: Correlation	137
Table 9: Hypothesis 1 Summary Results	139
Table 10: Hypothesis 2 Summary Results	140
Table 11: The Anglo-American and German Capitalist Systems Vis-a-Vis	154
Table 12: The Rise of Central Banking during the 20th Century.....	163
Table 13: Succession Planning at the Bank of England (1694 - 1949)	238
Table 14: Key Information on Bank of England Shareholders and Key Contributors to the Political Regime Change in 1688	242

List of figures

Figure 1: The Four Pillars of Historical Research in Organisation Studies	34
Figure 2: Rise in Public Indebtedness (U.K. 1688 - 1788)	75
Figure 3: The Economics of Foreign Bills of Exchange	88
Figure 4: The Three-Legged Economics Research Stool	92
Figure 5: National Debt Charge (UK 1688 - 1965).....	106
Figure 6: The Theoretical Modern-day Institutional Order	119
Figure 7: National Expenses on Military as Percentage of Total National Expenses (1694-1946)	121
Figure 8: Debt Servicing as a Proportion of Total Expenditure (1694 - 1946)	122
Figure 9: Number of Wars involving the United Kingdom.....	123
Figure 10: The Governing Institutional Order through Historical Prism.....	143
Figure 11: The German Banking Ecosystem.....	150
Figure 12: Credit Risk of the German Savings Banks	152
Figure 13: Taxes Paid by Different Bands	153
Figure 14: Modern Monetary Regimes and Policy Space	178

List of graphs

Graph 1: Annual Number of Wars involving Great Britain (1694 – 2013)	127
Graph 2: Public Debt (1694 – 1946).....	129
Graph 3: Public Debt (1694 - 1913).....	130
Graph 4: Relationship between Debt Servicing and Military Warfare (1694 – 1946)	131
Graph 5: British Bank Population (1559 – 2009).....	158
Graph 6: No. of Bank Creations Against Falling Population Size	159

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Introduction



Source: WNYC, 3rd July 2014

Rationale for Research

Economic inequality has been on the rise since the Global Financial Crisis (GFC) (Piketty 2014; Stiglitz 2012, 2015; Atkinson 2015). The richest 1 per cent owned 41 per cent of all the wealth in 2013, rising to 48 per cent and 50 per cent by 2014 and 2017, respectively (Oxfam 2017). Over the last few years, the existing 2,043 billionaires in the world added \$762b to their wealth as a result of the macroeconomic policies pursued by central banks (Stiglitz 2012; Sachs 2015; Galbraith 2012). An amount, which was sufficient to eradicate extreme poverty worldwide, where ‘1 in 10 people survive on less than \$2 a day. Inequality is trapping hundreds of millions in poverty; it is fracturing our societies and undermining democracy’ (Byanyima in Oxfam 2017).¹

Inequality has been fuelled by the folly of austerity measures, deleteriously affecting the life standard of oodles of regular citizens in contrast to the pomposity, splendour and riches enjoyed by top-flight capitalists, predominantly bankers. The latter continue to enjoy an opulent, lavish lifestyle without any retribution for their actions, which had caused the most severe economic crisis in the Occident since the Great Depression.² In the midst of economic wretchedness for billions of people, the funerals of the richest are becoming a final display of the wealth and power they command during their earthly times – ‘[they are] laid to rest in \$60,000 gold-plated coffins and ferried by horse-drawn funeral carriages or Rolls-Royce hearses. Some are even flying friends and relatives to exotic locales for destination funerals’ (Carville, 2018). James K. Galbraith (2012) recounts that states with larger financial sectors have greater inequality and the link is not an accident as we shall establish later as well.

Unsurprisingly, the anomaly of income and wealth inequality, to which a string of antagonistic social phenomena is attributed, ranging from higher crime and incarceration rates through heightened number of divorces and expensive, inefficient healthcare to limited access to quality schooling (Dorling 2014; Stiglitz 2012, 2015), has caused common folk to rekindle their interest in the topic. The public demand for insights has been facilitated by a growing body of popular and academic literature, which is not only measuring economic inequality but also debating contributing factors to this economic riddle, which had, has and will continue to have dire consequences upon societal organisation, structure and functioning. Economic literati of the highest calibre have advanced a wide range of explanations.

¹ Extreme poverty is defined as persons, who live on less than \$1.9 per day (Oxfam, 2017).

² Iceland is the only state, which charged the responsible parties for the crash.

The Current Debate on Inequality

For example, Nobel Prize winner Joseph Stiglitz (2012, 2015, 2017) highlights that society is reaching an intolerable level of inequality under an institutional system, which produces rent-seekers rather than incentivising new wealth creation, distributed more equitably across the social spectrum. The rent-seeking bracket includes top-flight monopolists, lawyers, financiers and many of those supposed to regulate the capitalist system, but who have been seduced by lobbyists and greed.³ In line with his claims, Alvaredo et al. (2018) find that top 1 per cent has captured twice as much total growth than the global bottom 50 per cent between 1980 and 2016. Tcherneva (2014) computes that between 2009 and 2012, while the economy was recovering from the GFC 116 per cent of the income growth went to the top 10 per cent (with the top 1 percent taking home 95 per cent of the gains). This impressive return was achieved at the expense of the working classes, she concludes: ‘The wealthy will stay wealthy and the poor will stay poor . . . on average, it will take someone at the bottom of the income scale five generations just to reach the mean’ (Ramos in Strauss, 2018). An OECD (2018) report sheds light on the economic fractures that have fuelled populism with the younger generation who are now increasingly pessimistic about the chances of matching their parents’ standard of life.

This unfair distribution through macroeconomic policy-making affects lives, productivity and, ultimately, the security of the 1%. Capitalism must be snatched back from free market fundamentalism (the Chicago boys, the World Bank and the IMF) and instead be put to the service of the many, not the few economic agents, with the aim to avoid a social revolution, Stiglitz (2012) warns:

When the social contract is abrogated, when trust between a government and its citizens fails, disillusionment, disengagement, or worse follows. In the United States today, and in many other democracies around the world, mistrust is ascendant.

Joseph Stiglitz, 2012: 151

³ Stiglitz defines monopolists as the illusion of competition in the United States of America’s banking market. While the USA boasts thousands of banks, the big four hold half of the deposits. In comparison, the situation in the United Kingdom is worse. The big five banks hold more than 90% of all deposits. Therefore, it is hardly surprising to find support for Stiglitz’ ‘grabbing hand view’ in the (UK and US) banking sector, in line with Djankov et al. (2000). Several papers (Jayartne and Strahan (1998), Black and Strahan (2002), Cetorelli and Strahan (2006) and Kerr and Nanda (2009)) find dramatic increases in start-up activity subsequent to increased competition on the banking market. Aaydari, Demirguc-Kunt and Maksimovic (2017: 18) note that: ‘Overall, the evidence suggests that increased competition between banks facilitated the provision of cheaper credit and better allocation of capital to new projects’. This finding urges for more competition in this core economic sector and the introduction of banks with different business models (Mazzucato, 2018).

Similar concerns are expressed by Thomas Piketty (2014) in his classic work 'Capital in the Twenty-First Century'. There, he sketches the evolution of income and wealth inequality since the Industrial Revolution. In the 18th and 19th centuries, the modern-day Karl Marx contends, that societies in the Occident were very unequal since private wealth dwarfed national income. A few rich families, who governed a relatively rigid class structure, held a dominant part of wealth. The social status quo was challenged with the rise of the welfare state, unionism and expanding workers' rights after the World Wars, which resulted in a more equitable order. Society is now heading back to the previous rigid social structure due to the promoted laissez faire system, which has a natural tendency towards income and wealth concentration. Piketty prescribes a progressive annual global levy on capital, which could start at 0.1% and hit a maximum of 10% on the greatest fortunes, supplemented by a punitive tax on high income earners.

Sir Anthony Atkinson (2015), nicknamed 'the godfather of modern scholarship on the distribution of income and wealth' by his student Piketty, has advanced thought-provoking progressive ideas in his scholarly work. Like the other two researchers, the Oxford professor, by grinding through a spectrum of policy changes materialising since the 1980s, clarifies why laissez faire cannot be relied on to deliver the best outcome for the economy and society. In his view, these economic policy and technological changes introduced a structural break, which allowed for the Great Divergence in economic inequality. Government intervention could help, he attains, particularly in relation to top pay and corporate mergers. The doyen propounds sharp increase of benefits funded by an increase in income tax for top earners, which will alleviate inequality. Higher top tax rates are justified, if inflated executive salaries are awarded at the expense of others. Corporate amalgamations should no longer be waved through by legislators on the unproven axiom of lower consumer prices, whilst ignoring job prospects of workers (Wolff 2012). Public policy should take some responsibility for the direction of technological development, instead of passively submitting to the free markets' outcome. Thus, his magnum opus proposes that in a world of imperfect competition, evidenced with (the increasingly) frequent City shenanigans, strategic intervention by the government could greatly help to reduce economic inequality, including through the introduction of a taxable universal basic income for children.

A common denominator in Stiglitz' and Atkinson's studies is that both scholars focus their narratives on a particular period - the ascent of deregulation in the 1980s - in the US and UK, respectively. Their short-sightedness in analyses strongly contrast with Piketty's longitudinal approach, where he measures inequality throughout the last few centuries. I agree with and

utilise both research methodologies. In other words, I take the *integrationist view*. In the first instance, much like the former two intellectuals, I study in depth a major institutional break, which occurred in the late 17th century England, when financiers replaced the landowning class at the apex of the social pyramid (Marx 1867). This is then followed by a Pikettian-style macroeconomic study in the very long run with the aim to empirically evidence the dynamics behind economic disparity within the then newly-founded and still governing capitalist order.

Despite some dissimilarities in the narratives of the three economic highbrows, an analogous solution is advanced. Namely, they propose income and wealth redistribution to be conducted through democratic political institutions and the fiscal apparatus. Their rejoinder, however, is resonating of the misplaced belief that contemporary society is ruled by inclusive, pluralistic political institutions supported by an independent and unbiased judiciary system, all of which operating amid an irrelevant banking sector that performs no vital role in the economy, as proliferated by neoinstitutional economists (e.g. Acemoglu and Robinson 2012; Acemoglu, Johnson and Robinson 2006; North and Weingast 1989).

A contrasting picture of the modern-day institutional equilibrium is revealed once a historical prism is applied, followed by an *ex post* construction of policy recommendations. This was the dominant methodology for research in economics until the mid-20th century, when it was replaced by the contemporary deductive methodology (Temin 2013; Ingham 2004). The latter approach is classified by an ex-Governor of the Bank and now Alan Greenspan Professor of Economics at NYU Stern as:

... if you read [economics] work in the reverse order to that in which it had been written, you could see that the subject made some progress. The same might be said today about the subject of (monetary) economics ... money has disappeared from the picture altogether. Earlier generations of monetary economists would be baffled.

Mervyn King, 2018: 21

The inductive approach is applied throughout this work in combination with the appropriate modelling of *money, credit and banking*, which have so far been largely absent from the field of macroeconomic models, policy-making and the politically-fuelled topic of inequality since the end of the wars. By adopting *Die Historische Schule der Nationalökonomie* approach, this empirical-based research finds that both the monetary and fiscal systems (which have been scratched by Stiglitz 2012, 2015) are the underlying reasons for economic inequality in Anglo-

American society - an institutional framework, now, being exported to other countries through structural reformation of economies, imposed by supranational organisations.⁴

Firstly, this research demonstrates that the state fiscal apparatus acts as a collecting agent from the many productive taxpayers by unilaterally seizing part of their productivity and income, followed by the reallocation of these monetary resources in the hands of national debt creditors. This is an important explanatory variable absent from the leading inequality models developed by contemporary theorists. By delegating more extracting rights to governments in lieu of creating more equitable society, a likelier outcome is widening income and wealth gap between taxpayers and the said creditors since political actors are historically proven to be susceptible to influence through nonmarket means (Stiglitz 2012, Atkinson 2015).

Secondly, chapters 2 and 3 demonstrate that the monetary system has been largely privatised for the benefit of a small number of economic agents since the end of the short 17th century. This aspect has, unfortunately, not been a focal point for inequality researchers although many have criticized the role of financiers without incorporating the credit view of pecuniary matters. This is a novel contribution of this work.⁵ The study proposes a radical modification of the monetary system in order to distribute income and wealth in a direct, equitable fashion instead of relying on a fair redistribution by unbiased political elite and welfare-leaned state.

Despite the fact that this research centres on the role of a single credit institution, the Bank of England, which initiated the turn of equality tides by legalising private credit creation, the advanced arguments can easily be extended to the modern day. Since governments are strictly forbidden to monetary finance their expenditure (Article 123 of the TFEU)⁶, national debt is still underwritten by private commercial banks, which continue to manufacture and allocate new deposits in the process of lending (Bundesbank 2017; McLeay et al. 2014; Carney 2009; King 2016; Reinesch 2017; Turner 2015; Banque du France 2018; Coimbra and Rey 2018):

Credit has been found to be an important variable ... It is therefore a first order issue to understand better credit creation and credit dynamics.

Nuno Coimbra and Helene Rey, 2018

⁴ The IMF and the World Bank were coincidentally envisaged, proposed and implemented by the most famous and influential economist of the 20th century John Maynard Keynes, at the time a Bank of England director, shortly before its nationalisation and the decolonisation of the British empire, which resulted in a substantial growth of the number of central banks around the globe, which needed advice on economic development (which also triggered the start of this new economic discipline (in the English speaking world)) (Wade, 2012).

⁵ As the principles of good history research and collegiality entail, it must be pointed out that earlier research on the roots of inequality and the role of the banking system does exist. The reader is invited to study Father Fahey's (1944) *Money Manipulation and Social Order*, or for this matter Leo Tolstoy's (1904) *The Enslavement of Fuji*, which is to be republished in the *Journal of Banking, Finance and Sustainable Development*.

⁶ TFEU means the Treaty on the Functioning of the European Union.

Bank lending is at the heart of the money creation mechanism: monitoring developments in the bank lending is key to ... monetary policy...

Banque du France, 16th April 2018

The (commercial) banking system ... ha[s] the ability to create money ...

Deutsche Bundesbank Monthly Report, April 2017: 21

By investing money created *ex nihilo* (out of nothing) in interest-bearing central government securities, these private credit institutions continue to enrich shareholders at the expense of tax-paying society. In 2001, private money creation is estimated to cost the British taxpayer in excess of £66b pa (Huber and Robertson 2001) - an amount, which will suffice to alleviate the austerity measures and the subsequent deteriorated provision of core state-run services such as healthcare, education, and security to the populace (Chupetlovski, 2021a, 2021b, 2021c).

A decentralised institutional order designed to lessen economic inequality, whilst promoting sustainable economic growth and social cohesion, is outlined here. Rhenish capitalism, as defined in the *varieties of capitalism* literature (or also known as the German coordinated system and the stakeholder model), is found to deliver namely these results. Coincidentally, such a social order locates high on the G20 ministers' agenda. A recent study on inequality shows that the results of the pursued policies by them are less than satisfactory for the taxpayer. Over 75% of respondents deem that this dire social concern must be addressed rapidly (Takeuchi 2014). With this task at hand, international policymakers, instead of promulgating the rent-extracting Anglo-American capitalist archetype, are urged to model developing and transition societies upon the social democracy principles still governing but regrettably re-treating from Germany and the Nordic states (Storbeck 2018).

A subtle yet substantial shift in political priorities is taking place in Berlin...In its courting of corporate interests, Berlin has usually been fond of carmakers, engineering companies and Germany's famed swath of family-owned *Mittelstand* businesses ... [The government] has been at best indifferent to, and at times, suspicious of, global financial industry – a stance shared by much of the German public in the wake of the financial crisis...Yet [the Chancellor] Ms Merkel and [finance minister] Olaf Scholz... have started a rapprochement, wooing large, global lenders and positioning themselves much closer to the financial sector.

Olaf Storbeck, 2018

Research Aims & Objectives

1. **Research Aim:** To historically reconstruct the institutional foundations of the Bank of England as a private-public hybrid, designed by and for elite interests.

Objective: Critically reassess the roles of the Bank's "founding fathers" in light of archival, prosopographical, and organisational evidence.

Objective: Investigate the socio-political and familial networks, in particular the Threadneedle Street French Church community, that coordinated the founding of the Bank.

2. **Research Aim:** To explore the role of private money creation and public debt issuance in the long-run development of inequality in Britain.

Objective: Trace the structural consequences of denationalising money issuance from the late 17th century onwards till the end of the World Wars in mid-20th century (circa 250 years).

Objective: Examine the institutional mechanisms through which credit creation has channelled public resources to private rentiers.

3. **Research Aim:** To challenge the North and Weingast (1989) hypothesis on institutional development and public finance.

Objective: Provide a counter-narrative demonstrating that the Glorious Revolution and subsequent fiscal innovations entrenched elite power rather than broadening institutional access.

Objective: Situate the Bank within a rent-seeking framework, aligning with critiques from heterodox political economy.

4. **Research Aim:** To propose a sound alternative institutional design for equitable credit distribution without coercive redistribution.

Objective: Assess the viability and economic logic of community-owned banking models in light of the historical failures of concentrated credit regimes.

Objective: Formulate policy recommendations for decentralised credit structures that mitigate wealth inequality and enhance public benefit.

Research Hypothesis

Hypothesis 1:

The institutional design of the Bank of England was not a neutral advancement in financial governance but a coordinated project by a closed elite to extract rents through control of credit and public debt mechanisms.

Hypothesis 2:

Contrary to North and Weingast's hypothesis, the post-1688 fiscal constitution did not lead to broad-based economic security and growth, but institutionalised inequality through private money creation tied to public debt issuance.

Hypothesis 3:

There exists an inverse relationship between the intensity of military warfare and the proportion of national income allocated to interest payments on public debt during the rise and decline of the British Empire, indicating that war financing served as a mechanism for elite rent extraction in peacetime and wealth preservation during wartime.

Hypothesis 4:

In the institutional order established following the Glorious Revolution and the founding of the Bank of England, fiscal and political priorities increasingly favoured the servicing of public debt over the fulfilment of social contract obligations, such as public investment, welfare, and redistribution, indicating a structural bias toward creditor interests within the emerging capitalist state

Chapter 1: Princes of the Pound

Studying the Bank of England's commissioned histories (e.g. Clapham, 1944, Kynaston, 2017), it was surprising to find that these (auto-) biography accounts are conspicuous in the absence of any in-depth discussion of the institutional entrepreneurs (IE), who initiated its creation. Thus, the chapter examines in depth five of the entertained founders of the Bank – the buccaneer Scotsman William Paterson, the Chancellor of the Exchequer Charles Montague, King William III (originally Willem van Oranje) and the Whig radicals Michael Godfrey and Sir John Houblon.

The paper contextualises the role played by each key institutional entrepreneur (as defined by Battilana, Leca and Boxenbaum 2009) in the erection of the enterprise by making use of the *historical organisation studies* in the explicating mode, developed by Mairi Maclean, Charles Harvey and Stuart Clegg (2016, 2017). This (management) research methodology adopts at its core the unconventional arguments made by one of the prophets of applied historical research in economics and entrepreneurship Joseph Schumpeter.

With the use of this inductive methodology to the research question at hand: 'Who were the masterminds behind the Bank of England?', it is unearthed that the well-honed official narrative about the founding fathers of the Bank of England (William Paterson, Charles Montagu and Michael Godfrey) disintegrates, especially once Piketto-Schumpeterian examination across time and space is applied. By juxtaposing institutional entrepreneurship theory and empirical evidence, the French Church of Threadneedle Street, led by the Houblon clan, is revealed as a better identifier behind the creation of this epochal institution of capitalism.

As a result, in contrast to Piketty's (2014) research, Chapter 1 allows the reader not only to understand how a few rich families came to dominate society and sit atop of the rigid social pyramid at the time of the Industrial Revolution, but also reveals how a tightly-knit group of entrepreneurs managed to successfully influence field characteristics in order to create a rent-extracting institution in the form of a privately owned Bank of England underwriting national debt, with money created *ex nihilo*, on the security of raising tax revenue of the state with the ultimate aim of self-enrichment.

Chapter 2: The Forging of Capitalism

With the continuation of the inductive research through primary and secondary sources, this chapter illuminates that the newly founded Bank of England did not intermediate existing funds. In lieu, the firm engaged in money *creation* through fiduciary issuance of paper credit, colloquially known as banknotes today. This privatisation of credit issuance by a small clique of *identifiable* Whig entrepreneurs, who actively sought recalibration of the institutional equilibrium throughout the 17th century in order to legitimise this wealth-concentrating economic activity, is established as the moving factor behind the Revolution of 1688.

A sketch of the transition from an absolutist monarchy to republic, as envisaged by the father of the Houblon brothers, Jacques (James), is grounded. The structural reformation of political institutions was completed with the replacement of the legitimate English king James II with a foreigner, the Dutch Stadtholder Willem van Oranje, after the last successful invasion and occupation of England, launched from the then banking centre of Europe, the Low Countries. An ensuing war with France, lobbied for by the City's Whig merchants, quadrupled national expenditure causing considerable national deficit. These unfavourable fiscal settings posed as suitable field characteristics for the small enterprising clique of City-based merchants to offer a solution to the arisen problem – to found a bank, which was to lend money to the government on the security of raising tax revenue. With the erection of the Bank, the institutional break was completed.

This exogenous shift in the institutional equilibrium has resulted in the entrenchment of a rent-extracting capitalist order in England in contrast to North and Weingast's endorsed neoclassical hypothesis of an inclusive, pluralistic institutional framework. The established system, which has seen little change to this day, is governed by the symbiotic relationship of private money and public debt, where riches flow from the many productive taxpayers to the few (Bank) shareholders. This institutional status quo is safeguarded by an independent judiciary system, enforcing debt contracts in favour of lenders under a façade of protection of private property rights. That is to say, the state unilaterally appropriates part of the income and production of ordinary taxpaying citizens and reallocates such monetary gains to national debt creditors in order to satisfy interest payments on legal, contractually-binding debt contracts (Knapp 1905; Tcherneva 2016; Ingham 2004). More precisely, the religious cabal of the French Church at Threadneedle Street, led by the Houblon dynasty, managed to create suitable field characteristics for the erection of a privately-owned banking enterprise to underwrite national debt with the aim of self-enrichment.

Chapter 3: The Roots of Economic Inequality

Chapter 3 presents a detailed qualitative survey on the rise of the British fiscal-military state which is contrasted with the erstwhile institutional order where charges and levies came rarely, fell lightly and only on a few people. It is also reported that public debt had been accumulated by state warfare, not welfare spending. This is followed by an examination of the empirical relationship between national income, expenditure and debt charges of the British government over the very long run (1694 – 1940). The calculus shows that debt charges played a critical role in reallocation of money from the many taxpayers to national debt creditors.

Since interest payments on national debt concentrate monetary resources in the hands of the few, government officials are urged to commence structural reforms to remedy this transfer process, as alluded to by Stiglitz (2012, 2015), which produces great inequality not only in assets, income and wealth but in opportunity, health, and education, too (Atkinson 2015; Dorling 2014; Piketty 2014). Thus, statesmen need to have a clear agenda and vision, when designing the new institutional order in order to deliver an equitable, prosperous society.

The seasoned diplomat Kissinger (1994: 27) minutes that decisions by senior politicians are usually taken under a rigid time constraint in contrast to analysis by intellectuals. Therefore, it is of vast importance to lay a sound solution to policymakers with their severe time limitation in mind, despite the fact that the truthful nature of the functioning institutional framework was identified and brought to their attention some time ago.

Where the Publick is indebted, a large Proportion of the Revenues arising from the Annual Income must issue out to the satisfaction of those Debts: from whence it follows, that the Land and Labour of the People, must go to enrich the Mony'd Men and Usurers and not to support the Government... all methods should be us'd to get out of their Hands as soon as possible.

Charles Davenant, 1698, vol.1:199-200

Firstly, to alleviate the interest burden imposed on the public, it is proposed that governments should wipe national debt away through a Biblical *deror* (opposite to Goodhart and Hudson 2018). A damning outcome would be the reduced concentration of political resources in the bottomless pockets of banking gurus (King 2016). Secondly, the restructuring effort can be supplemented by a decentralised pecuniary system, where the benefits of credit creation can be spread in an *equitable* fashion throughout society. Thus, an institutional system consisting of community banks is compulsory where money as debt (IOUs) (Ingham 2004; Tcherneva 2016;

Werner 2005) exists to facilitate the production and exchange of goods and services at the local and international level without the need to subordinate one larger fraction of society to another disproportionately smaller. Within this alternative universe, interest profits may be redistributed to local stakeholders as envisaged by Lewis (1682). He proposed the creation of a constellation of local banks across England, where generated profits were to be used for promoting the common good.

Concluding Remarks

Within this study, the reader will find a diverse range of examined research angles in order to construct an inductive interdisciplinary account from a historical perspective about the (invisible transfer) forces behind economic inequality. It has been argued that the uneven distribution of income and wealth, so intensely measured over the last few years (Piketty 2014; Stiglitz 2012, 2015, 2017; Saez and Zuchman 2016; Atkinson 2015), was embedded in the contemporary institutional framework when it was first established by a highly-religious cabal of institutional entrepreneurs, who denationalised credit creation with the erection of the privately-held Bank of England. Concurrently, the state was reduced to a tax-raising apparatus, appropriating resources on behalf of these private (merchant bank) interests with a significant proportion of fiscal proceeds reallocated in their hands. This transfer of monetary funds lies in the epicentre of the current debate on economic inequality. An alternative institutional order has been sketched, where money as debt may and can service the common interest.

This inquiry lays the foundations for manifold scholarly work. For example, sociologists may pursue a more detailed study of the institutional entrepreneurs, who initiated the creation of the Bank of England. Non-market strategists may trail how the benefactors of the new world order managed to by-pass legislators with opposing worldly views when proposing the formation of a ‘public bank’ since on two previous occasions any such application was refuted. However, a crucial research task is to identify whether similar rent-extracting institutional frameworks have been established and operating elsewhere in the world at different times, which will only enhance the strength of the findings made herein. For the moment, it suffices to state that there are several possibilities, which can be pursued.

Princes of the Pound:
Who Masterminded the Creation of the Bank of England?



(Source: Lady Jane Lindsay - Alice Archer Houblon, *The Houblon Family*, vol. 1, 1907)

Abstract

I examine the founders of the Bank of England and contextualise their role in the erection of the enterprise, making use of a *theoretically informed historical narrative* in the explicating mode. I find that the well-honed official narrative about the founding fathers of the Bank of England (William Paterson, Charles Montagu and Michael Godfrey) dissolves once Pikettian examination across time and space is conducted. By juxtaposing theory and empirical evidence, we can show that Threadneedle Street's French Church community is a better identifier behind the creation of this epochal credit institution.

Introduction

Rowlinson and Hassard (2013) observe that if

“Firms are created by entrepreneurs who have a vision of how the concerted effort of the right group of people can create a new product or service in the market place”, then the archives can be scoured in order to identify entrepreneurs and their visions, securing immortality for them in the historiography.

Michael Rowlinson and John Hassard, 2013

This is the enterprise we set out on.

‘Almost since the inception of the corporate form ...’, Suddaby, Foster and Trank (2010) report that, ‘... managers have understood that a statement of the corporation’s longevity can construct a sense of stability and legitimacy... [and that] nearly all companies produce historical accounts of themselves’ (Suddaby, Foster and Trank 2010:156). Yet, many organisations that produce their own corporate history aim to influence the public image of their business and are not primarily interested in producing meaningful management and economics knowledge, based on rigorous historical analysis. The knowledge that history is manageable (corporate) asset is not new (Suddaby, Foster and Trank 2010, 2016; Maclean, Harvey, Sillince and Golant 2018; Smith and Simione 2017), particularly for constructivist historians who see history as malleable. Such a view of history, as a form of persuasion and a rhetorical device that can be manipulated, reconstructed and used to create authenticity, seems to have been adopted by corporations and their managers and strategists (Ooi 2002; Holt 2006; Foster, Suddaby, Minkus and Wiebe 2011).

Through a historical prism, corporate histories in book form were often confined to only the largest and wealthiest corporations. With the rise of the Internet, the increasingly prominent History section on corporate Web sites serves a constellation of firms of all sizes and legal shapes to legitimise their business practices in front of their intended audiences, both internal and external. This digitalisation process has opened up history as a strategic resource to a broad cross section of organisations but still the most mature, sophisticated players will hold a dominant expert position in the field of historical narrating as they will have the resources to mould history best in their strategy building and attempt to *retain* a competitive advantage.

The use of history is vital in services industries (e.g. financial services) because their products are undifferentiated. For example, a bank's history offers legitimisation based on endurance as well as basis for differentiation (Suddaby, Foster and Trunk 2010; King 2016):

In a relatively undifferentiated market like financial services, in which most institutions have similar products and services, marketing and advertising are key competitive elements. When a vast majority of an institution's customers are retail, with a strong notion of loyalty to a stable and reliable repository for their money, then history is an important corporate asset.

Roowan, 2009: 60

Thus, two types of histories must be demarcated. The first is business histories written by scholars at an arm's length from the examined firm. Such academic studies are not a subject of discussion in this work. The second type is corporate histories where a company commissions an (auto)biographical account, usually to professionals. These corporate histories are often characterised with a limited intellectual depth but are better classified as rhetorical histories. The commissioned narratives are virtually always chronological and present an unproblematic and chronological chain of (pre)selected events, celebrating the firm's growth and expansion (Delahaye et al. 2009: 35) - success is the overriding theme at the expense of any controversy and/or failure. In the words of Suddaby et al. (2010:161), corporate narratives are 'reconstructions of the past intended to valorize the corporation and advance its purposes'. Thus, an instrument to position themselves in favourable terms in the social memory of societies. The greatest credence to these constructed narratives is given when the account is developed on archival papers by (famed) scholars.

This notion is relevant when considering the Bank of England's corporate history accounts (Rowlinson, Hassard and Decker 2014). The most important histories of this business are (later