

# Chapter 11

## Understanding “The Norman Conquest of \$4.86”

In November 1924, a critic in *The Nation and the Atheneum* decried the impending “Norman Conquest of \$4.86.” The pithy formulation has stuck, and it has since come to define how we understand the transformation of British monetary policy in the 1920s.<sup>1</sup> Each element plays a crucial role in that canonical story. Beginning at the end, the key objective was to ensure a specific value of the pound in terms of the US dollar. This was both the goal and the measure of success: in the exchange rate market, one pound ought to be worth \$4.86. Next, this was a conquest. It began with a struggle between contending claimants for England’s throne, but it did not end until many of England’s political, social, and economic institutions had been transformed. Finally, that struggle was won, totally and utterly, by Norman—Montagu Norman, governor of the Bank of England.

All this was prescient. The UK did return to the gold standard. Norman did emerge victorious, and he did transform—“Normanize”—the UK’s monetary system. But as the received account has become further distilled, we have increasingly forgotten the fires that catalyzed this transformation in the first place. There is much more to this rich tapestry than meets the eye. The last part of this book returns to the inferno in which the old gold sovereign was melted away and replaced with the “new” gold standard.

### \$4.86

Moggridge’s pathbreaking study of the “return to gold” begins thus: “The decision to return to the gold standard at the prewar parity of \$4.86 . . . [represents] a watershed in British inter-war economic history.”<sup>2</sup> Since then, economic historians have conceptualized British monetary policy in the 1920s as the policy of achieving, and maintaining, a specific dollar value of the pound sterling. For instance, there are many candidates for the point at which the UK left the gold standard in the first place: Was it when the Treasury printed the Bradburys? When the

government imposed capital controls across the war? When Parliament extended these controls in peacetime? When Churchill abandoned the gold coinage? But Howson chose March 1919, the moment at which “the government unpegged the exchanges and abandoned the gold standard.”<sup>3</sup> Similarly, Sayers read a concern with the dollar value of the pound back into “the Cunliffe recommendations” and the Bank’s support for “returning as soon as possible to the gold standard.” “In company with the City and the politicians,” Sayers wrote, “[the Bank] never thought of this last otherwise than as a return to a dollar parity of 4.86.”<sup>4</sup>

But what does the value of the pound to the holders of dollars have to do with the maintenance of the gold standard in England? Why does it matter so much more than, say, the price of tea in China? After all, each was simply a price, and neither was a price that was *necessarily* linked to gold.<sup>5</sup> More to the point, who would have described the binding of the pound to a foreign currency (comprised largely of paper notes) as the restoration of England’s ancient gold standard? The answer is startling: before 1923, virtually no one; but by the end of the 1920s, most of the UK’s political and economic elites.

Who were the agents of that radical redefinition? That answer is even more startling: John Maynard Keynes and Montagu Norman. The transformation followed from Keynes’s revolutionary insight, embraced by Norman, that the US Federal Reserve effectively controlled the world gold market. This meant that a “return” to the “gold” standard was really an adoption of the dollar standard, like it or not.<sup>6</sup>

But this was not how the orthodoxy had understood things, or the course they initially set for the UK. The Cunliffe Committee certainly did not define the gold standard as maintaining some specific dollar value of the pound. Instead, it defined “the essence of” the UK’s “complete and effective gold standard” as the reality that “notes . . . always stand at absolute parity with gold coins of equivalent face value, and that both notes and gold coins stand at absolute parity with gold bullion.” For the Cunliffe Committee, the parity that mattered was not a specific exchange rate parity but the “parity” with gold itself—the nominal price of gold. The maintenance of stable exchange rates with foreign currencies would be a *consequence* of achieving that primary objective. “When these conditions are fulfilled,” the report continues, “the foreign exchange rates with all countries possessing an effective gold standard are maintained at or within the gold specie points.” But the Cunliffe Committee never contemplated

that a single exchange rate would become the barometer for assessing the gold value of the pound. In that old world, there was one, and only one, metric: the London gold price.

Churchill continued this fight. Even as he relied upon the new orthodox view, reformed in the wake of Keynes's *Tract*, Churchill was loath to describe the return in terms of the pound's dollar value. In his announcement to Parliament, he did cite the pound's "buoyant" "exchange with the United States" as one of the factors that would ease the return. But he quite explicitly defined the return in terms of the London gold price and the rights of Britons to secure that gold with their pound notes. Churchill maintained the old terms—if not the old forms—of the prewar gold standard: "The Bank of England will be put under obligations to sell gold bullion in amounts of not less than 400 fine [troy] ounces in exchange for legal tender at the fixed price of £3 17*s.* 10½*d.* per standard [troy] ounce." Thus, the gold standard was a promise by the government to force the Bank to convert legal tender into sums of gold at the same price that had been specified for centuries. In the first instance, the dollar had nothing to do with it.<sup>7</sup>

Yet Churchill was pouring new wine from the old bottles. His masterful rhetoric to the contrary notwithstanding, Churchill knew well that he was not "restoring" the same old gold standard any more than Parliament "restored" the same old monarchy in 1660. Too much had changed in the interregnum. The "conducting" of the international gold standard symphony had moved from the City of London to Manhattan.<sup>8</sup> Keynes, and the economic historians who followed him, were right to cast the 1925 "return" to the gold standard as an implicit adoption of a dollar standard.<sup>9</sup>

So the gold standard enthroned in 1925 was as different from the prewar sovereign as William I was from Harold—or, more fittingly, as William III was from his father-in-law, James II. In 1914, more than half of the currency in the UK was comprised of gold itself. Particularly in England, getting and using gold had been virtually costless. By 1926, the "new gold standard" had been anointed, and gold itself had virtually vanished from circulation. The minimum "purchase" of gold had been raised more than three thousand times, from half of a sovereign (£0.50) to nearly £1700. It was like the Gutenberg Revolution but in reverse: gold moved from its place as a central physical medium, passing from hand to hand among a sizable portion of the population to an exalted role secured by the authorities and made accessible to the people increasingly through mere symbolic representations alone.

From a nonmaterial standpoint, it matters that the conquest was of “\$4.86” rather than of “£3 17s. 10½d.” By these means, the identity of “the” gold standard was reconstructed. Even if the new gold standard was a rose by another name, it would be naïve to think that labels do not matter in a country that clings to its Imperial units. It might be that few Britons craved to feel the precious metal itself between their fingers. Yet the symbolism, if not the materiality, of a golden pound was every bit as important as the number of stars on a flag and the color of a passport.

There were substantial material changes as well. The new gold standard brought its high priest, the governor of the Bank of England, to the height of power. He was given the ultimate trump card—“For the sake of our gold standard”—even as the new regime further insulated him from market and political pressure. At the same time, he was given leave to conduct independent diplomacy with his fellow central bankers, particularly those in the United States, as they jointly managed the reformed international monetary order. In the terms of modern social science, it is hard to imagine a more independent central banker than Montagu Norman under the new gold standard.

Perhaps this is the reason that he, as an individual, looms so large.

## Norman-centrism

In discussing the return to gold, it is all too tempting to fixate upon, and point a finger at, Norman. Certainly, those who lived under his rule often did, and that is how they often cast it—as living under Norman’s rule. They were not burdened by our textbook political economy models in which central bankers struggle to achieve even a modicum of “independence” from politicians’ imperatives. But they also had not yet seen the full depths to which the state’s dictates could sink. So it was only in 1939, after nearly two decades of Norman’s governing and with some innocence still intact, that one contemporary biographer could write, “It is gradually becoming common knowledge that it is not the Hitlers, Mussolinis, or Stalins . . . who are the real dictators, but the men who lurk in the shadows behind the beflagged and besloganed rostrums—the . . . little-known men who *dictate to the ‘dictators.’*” Montagu Norman is one of these: perhaps the most powerful of all.”<sup>10</sup>

Yet this critic mistakes some important facts.<sup>11</sup> More important, the scale is as wrong as is the domain of the crimes. Norman may have been unsympathetic to those who suffered under his austerity, but he was never murderous.<sup>12</sup> Still, as monetary authorities go, there has never been—before or since—a host like that of Norman unto himself. It was not for nothing that Norman became the longest-serving, most pivotal, and most powerful central banker in modern history.

Most scholarly accounts similarly accord Norman singular agency. There is little recognition of the tension between his views and those of the Cunliffe Committee. The earliest accounts held that Norman helped to define the Cunliffe Committee's doctrine in the first place.<sup>13</sup> Most gloss over the pivotal Chamberlain-Bradbury Currency Committee, the successor to the Cunliffe Committee.<sup>14</sup> With few exceptions, those that do engage the Chamberlain-Bradbury Committee typically treat its opinions as consonant with those of Norman.<sup>15</sup> Some even get the sequence of events wrong, suggesting that Norman “was supported by” the Cunliffe Committee's reports and that the Chamberlain-Bradbury Committee “accepted the Governor's view on the adequacy of the adjustment of prices” and “proceeded to model its Report closely on [Norman's] latest recommendations.”<sup>16</sup>

In fact, the essentials of Norman's dogma were disavowed by the Cunliffe Committee, as we have seen. And, as we shall see, the Chamberlain-Bradbury Committee defied Norman's vigorous resistance and formulated its own conclusions and recommendations. Its report was essentially completed two days before Norman's second testimony. That second invitation was really the committee's attempt to bring Norman into line—to get him to recant his previous position, to commit to not using the loan he had secured from the United States, and to implement the restoration on the terms designed by the Cunliffe Committee.

Thus, it is imprecise, and unfair, to lump together the principal architects of the return to gold—Norman, Niemeyer, and Bradbury—as “the most fanatical and thoughtless advocates of the gold standard to be found anywhere in the country.”<sup>17</sup> These three men spent years arguing about the gold standard. Throughout, the ideas of each evolved considerably. They may have been fanatical, but they were not thoughtless. So far from forcing through the early return, Norman was, until the winter of 1925, one of the strongest supporters of extending the capital controls by several years. Perhaps no one was more committed to the Cunliffe Committee dogma

than was its principal author: Bradbury. But even Bradbury, in the late summer of 1924, was won over to Keynes's proposed deferral. It was only when the purchasing power of the pound and the dollar appeared to converge quite unexpectedly that Bradbury embraced the gamble of an early return. Then when the return did come, Niemeyer encouraged Churchill to accept all of Norman's recommended limitations on Britons' access to gold. All three of these men accepted the Keynes critique that the prewar gold standard would not, should not, and could not return. It was they who reconstructed a restoration of £3 17*s*. 10½*d*. as adherence to \$4.86.

This brings us to the conspicuous diminution of Keynes's role in this drama. As the principal private secretary to the chancellor of the exchequer, Grigg was intimately familiar with Churchill and his decision to effect the return. His memoirs mention Keynes so as to dismiss him:

[Since] 1918, every Government . . . had proclaimed its intention of working towards the restoration of the Gold Standard as soon as possible, and . . . fiscal and monetary events in these years was . . . continuously directed to this end. . . . The opponents of the policy advocated by the Cunliffe Committee were confined to a small number of those who were susceptible to the still small voice of Keynes, and this in spite of the fact that the still small voice was already beginning to be immeasurably amplified by the multiple organ of Lord Beaverbrook.

Thus, the homogenization of the orthodoxy leads to a simple binary: Keynes versus those who supported "the policy"—singular—"advocated by the Cunliffe Committee." That binary was unequal in size: Keynes is virtually alone, and has even less support than his coverage in Beaverbrook's newspapers implies. And it was unequal in strength: Keynes's *Tract* only "cast faint doubts on this policy."<sup>18</sup>

Even Keynes's biographers have largely followed Grigg's original denigration. This is particularly true in Skidelsky's account, even in a volume that "tells the story of Keynes's metamorphosis from esthete, philosopher, and administrator into world savior."<sup>19</sup> He writes that "Keynes's argument in *The Tract* against going back to gold had failed to convince," and his "evidence to the Chamberlain Committee was hardly a robust attack on the policy of restoring the gold standard."<sup>20</sup> In fact, the softness of his position actually "helped to crystallize the view that the prewar parity could be regained and maintained without detrimental effect on the real

economy.”<sup>21</sup> Moggridge’s classic account offers a longer, richer discussion. But he agrees that “[Keynes’s] was very much a voice in the wilderness, and a very ambiguous one at that.” For Moggridge, “the decision to return to the gold standard at prewar par was more or less inevitable, particularly after the rise in the dollar exchange.”<sup>22</sup>

It is true that Keynes made “tactical” compromises that, perhaps, proved strategically costly.<sup>23</sup> More important, he blew some of the opportunities he did enjoy to shape the policy discussions. His poor performance in his testimony before the Chamberlain-Bradbury Committee was the most unfortunate of these. It was not just that he was unprepared; he was positively out of touch. He had so thoroughly convinced himself that the Cunliffe Committee dogma was a dead letter that he misunderstood the entire purpose of the Chamberlain-Bradbury Committee: to effect the restoration. More important still, Keynes’s theory was still underdeveloped. He had not yet theorized unemployment in equilibrium. Had he done so, he might well have persuaded Churchill to avert course. In other words, Keynes still had plenty of thinking to do; and Churchill’s “new” gold standard was still woefully underreformed. Much of both would be addressed in the years to follow.

Yet we must resist the temptation to simplify this first act too much. After all, Keynes himself had strong incentives to play up his failure in the years that followed. In part, he recognized the need to outflank the counterfactual that might have been issued—namely, that Churchill had compromised and that the consequences followed from that. It does seem extraordinary to suggest that anyone could have thought that Churchill did not go far enough—that, say, reissuing gold coinage would have ameliorated the UK’s difficulties. But many extreme goldbugs, such as Bank Governor Cokayne, had suggested that it would be best to force the adjustment as rapidly as possible.<sup>24</sup> By flattening the differences between Churchill’s new gold standard and the prewar gold standard, Keynes was able to make the orthodoxy—broadly construed—own the disasters that followed the resumption. Keynes knew well that it was better to play the part of Cassandra than of Hector as Troy burned.<sup>25</sup>

We must be similarly careful in handling the orthodoxy’s many explicit renunciations of Keynes. After all, the more seriously the church internalized Martin Luther’s critique, the more vigorously it denounced him. So too with Churchill and even Bradbury. In fact, Churchill went to lengths to be sure that he was prepared to rebuff Keynes’s attacks. And Bradbury incorporated

several of Keynes's own critiques as he reimagined the orthodoxy in 1925. By carefully following the evolution of these leading policymakers' positions, we can look past their professions of faith to the underlying shift in their beliefs. Much can be traced to Keynes's great apostasy.

Following the publication of the *Tract*, there could be no serious discussion of the gold standard without mentioning Keynes. He was on the lips of the major bankers giving speeches, he was invoked repeatedly in the Chamberlain-Bradbury Committee's private discussions, and he was deployed by Churchill in his critical response to those proposals issued by his subordinates. Keynes was rightly regarded as the most serious heretic and the most serious source of heresy. No one, least of all Churchill's intimates and advisers, doubted that this chancellor took Keynes most seriously. Even if he proved unwilling to implement Keynes's boldest proposals, Churchill's thinking about money and unemployment was shaped more heavily by Keynes than by anyone else.

The more shocking—and completely unrecognized—fact is that the gold standard dogma of the governor of the Bank of England was also profoundly shaped by Keynes. Keynes's assault had landed three critical blows on the prewar orthodoxy. First, the international gold standard system was not automatic but turned on the agency of central bankers, particularly those from the most powerful central banks—such as the US Federal Reserve. As a result, the key metric must be changed from the London gold price to the dollar value of the pound. Last, exchange rate movements were not driven exclusively by material conditions but also depended on market psychology. The combination of these factors pointed to what Keynes called “the ideal state of affairs,” “an intimate co-operation between the Federal Reserve Board and the Bank of England” to secure “stability of prices and of exchange . . . at the same time.”<sup>26</sup>

Norman followed each of Keynes's criticisms of the old gold standard, and he pursued Keynes's “ideal” with unmatched zeal. We have already seen Norman's support for capital controls following the First World War and his evident reluctance to use Bank rate to appreciate the exchange rate. In the summer of 1924, Norman further defied the Cunliffe Committee in his testimony before the Chamberlain-Bradbury Committee. He proposed extending the capital controls by three years. He emphasized the role of market psychology even more heavily than had Keynes. And he parroted Keynes's argument that the Federal Reserve now defined the world

gold supply through its monetary policy (rather than vice versa). At all of these points, Norman had more in common with Keynes than he did with Bradbury, Cunliffe, or Cokayne. This was a new, post-*Tract* view of the gold standard.

When the push for a return became overwhelming, Norman embraced the very methods explicitly denigrated by the Cunliffe Committee: the use of central bank coordination and foreign borrowing. At the beginning of 1924, Norman facilitated a highly irregular, unsecured loan to Germany's new central banker, Hjalmar Schacht. This was an overt effort to sidestep the normal diplomatic channels and forge close inter-central bank links that could withstand political and market pressures alike. At the end of 1924, Norman negotiated an extraordinary \$500 million loan from the US Federal Reserve. He did this even as his colleagues at the Bank and the Treasury repeatedly told him not to pursue the foreign assistance. So far from leading the charge back to the prewar gold standard, Norman continued his Keynesian efforts to push the monetary system past it.

Thus, the “Norman conquest of \$4.86” was about far more than just Norman. It is a story of the deep conflicts among the ranks of the advocates of the return to gold. It is a story about Norman's reluctance to carry this particular mantle and his absolute refusal to carry it in the way prescribed by his predecessors and entrenched colleagues. It is a story of Keynes razing less than he hoped but building more than he understood. Ultimately, the return to gold is a story about Montagu Norman in just about the same way that the English Reformation is a story about Henry VIII.

## The Conquest

The Norman conquest is usually seen as a foregone conclusion. Here again, Grigg has set the narrative: Churchill's decision constituted “the final step in the continuous process of restoring the pound to parity, which had been going on ever since the first World War ended.”<sup>27</sup> Feavearyear similarly suggests, “Nearly all the recommendations of the Cunliffe Committee were adopted over the next ten years.”<sup>28</sup> Manchester explains Churchill's decision in the same simple fashion: “In 1918 the step [of returning to gold] had been recommended by a standing

committee of experts [i.e., the Cunliffe Committee] appointed by Lloyd George; a majority of Conservatives, Liberals, and Labourites had then endorsed it. Churchill regarded that endorsement as binding.”<sup>29</sup>

The policymakers themselves routinely proclaimed their adherence to the Cunliffe Committee dogma. No surprise, Churchill did not hesitate to emphasize the long continuity of the gold standard, and he did so masterfully in his budget speech. But across the aisle, his predecessor and would-be successor Snowden did the same thing on numerous occasions. Indeed, it was the Labour government that convened the Chamberlain-Bradbury Committee. This government happily maintained the continuity of personnel, appointing the three most outspoken surviving members of the Cunliffe Committee to its successor committee. That committee’s twelve-page report referenced the Cunliffe Committee six times. Again and again, the members of the Chamberlain-Bradbury Committee “associate[d] [them]selves with the decided preference expressed by the Cunliffe Committee”, which is really saying that Bradbury, Pigou, and Farrer associated themselves with themselves.<sup>30</sup>

But did they really? Did the Chamberlain-Bradbury Committee maintain the same preferences across this period? Did it analyze the same questions in the same terms and offer the same prescriptions? Did this represent the fulfillment of the Cunliffe Committee’s promises, the realization of its vision?

The answer to all four questions is the same: no. This is partly due to the reality already examined: there was no such thing as a Cunliffe Committee consensus. No currency committee could fasten its recommendations to the Cunliffe Committee dogma any better than it could fix the pound to silver and to gold simultaneously. The Cunliffe Committee’s gold standard was not an element but a volatile compound, an unstable jumble of different notions. And as Keynes had argued, the passage of time had invalidated several of the central assumptions underpinning the Cunliffe Committee’s reports.

First, the Cunliffe Committee was wrong in thinking that policymakers would lack the discipline required to push sterling back toward its prewar parity, that the very kinds of capital controls imposed would prompt them to adopt lax fiscal and monetary policies. In fact, the Bank and the Treasury proved adept at concentrating gold in London. They increased the UK’s official reserves more than four times between 1913 and 1920, from £36.7 million to £145 million. Thus,

the combined Bank and Treasury reserves reached the Cunliffe Committee minimum by 1921. It was then kept around £155 million until the gold standard was restored in 1925. At the same time, the Treasury made significant progress in removing the wartime currency notes from circulation. After reaching a peak of £346 million in 1920, the paper notes were reduced 17 percent to £287 million by the start of 1925. The UK's overall gold-to-note ratio rose from its 1920 low of 26 percent to nearly 36 percent in 1925. All this, despite the arrival of the UK's first Labour-led government.<sup>31</sup>

The *First Interim Report* had warned that delaying the adjustment with capital controls and foreign borrowing “can only render the remedial measures which would ultimately be inevitable more painful and protracted.”<sup>32</sup> In the event, Keynes and Norman were right: the capital controls bought time, allowing gradual but steady progress. Contrary to the Cunliffe Committee's predictions of doom and gloom, it would seem that *now there was* something in the UK's experiences since the war “to falsify the lessons of previous experience that the adoption of a currency not convertible at will into gold . . . [would] destroy the measure of exchangeable value and cause a general rise in all prices and an adverse movement in the foreign exchanges.”<sup>33</sup>

The Cunliffe Committee was also wrong in its assumptions about just what would be required to bring sterling back to the prewar parity and to keep it there. Even with a six-year running start and these incredible achievements, it still would not be enough to restore the prewar gold standard in the UK. The Cunliffe Committee had depicted the gold standard as a kind of silver bullet. Resumption, it believed, would instantly kill the inflationary spiral and, following this, prices and output would adjust quickly and smoothly. In the event, even making Churchill's attenuated gold standard operable proved far more difficult—and far less necessary—than the Cunliffe Committee expected. Thus, the gold standard was both more costly and less valuable than the orthodoxy had maintained.

By the start of 1925, the exchange was approaching parity, the US and UK price levels appeared to be converging, the UK's reserves were intact, and the wartime note issue was being reduced steadily. All of this occurred before the miraculous resurrection of the prewar gold standard. For those who insisted that the return itself was requisite, such a contented state must have been unnerving. How did they react? The same way any priest of a false religion reacts when his prophecy is challenged by reality: he or she pretends the disconfirmation does not exist,

suggests the promised miracle has already begun working, and then restates the prophecy in “[contemporary] disguise and borrowed language.”<sup>34</sup>

This is the story of 1925. It is a story of constructed continuity and contrived binaries. It is not a story of a King William—either William the Conqueror or William of Orange—simply replacing the head that wears the crown. But nor is it a story of simple conquest—of the orthodoxy slaying Keynes, of progressive ideas being crushed by conservatism, or of finance running roughshod over industry. It is a story of a reformation within the theocracy that ruled Britannia.

This is not far from how Keynes himself saw the course of this history at the time. As each took his turn testifying before the Chamberlain-Bradbury Committee in the summer of 1924, he and Addis exchanged a heady correspondence. On July 25, Keynes vented his exasperation at those

in authority attacking the problems of the changed postwar world with . . . unmodified prewar views and ideas. . . . Do not be the Louis XVI of the monetary revolution. . . . Enormous changes will come in the next twenty years, and they will be . . . unwisely and even disastrously carried out, if those of us who are . . . agreed in . . . aiming at the stability of society cannot agree in putting forward safe and sound reforms. I am now told . . . that I have become a sort of disreputable figure . . . because I do not agree with the maxims of City pundits. But . . . I seek to improve the machinery of society not overturn it.<sup>35</sup>

Keynes was thinking of France when he ought to have stayed with England. The 1925 “monetary revolution” was less 1789 than it was 1688. But it was a revolution nevertheless, and Keynes played the part of Locke rather than of Rousseau. As with the Glorious Revolution, the old sovereign was not annihilated so much as subordinated. The institutions were not abandoned so much as re-formed. Their new design was not itself determinative. The Bank of England and its governors would hold enormous sway, but as Keynes had put it in the *Tract*, gold would rule “only as a constitutional monarch, shorn of his ancient despotic powers and compelled to accept the advice of a Parliament of banks.”<sup>36</sup> The next phase would see Keynes lead the charge to further subordinate the independence of gold. But it remains to recount the monetary revolution that did occur in 1925.

<sup>1</sup> Moggridge, *British Monetary Policy*, 228. Consider the apt subtitle of this, Moggridge's second book: *The Norman Conquest of \$4.86*.

<sup>2</sup> Moggridge, *Return to Gold*, 9.

<sup>3</sup> Howson, *Domestic Monetary Management*, 11.

<sup>4</sup> Sayers, *Bank of England*, 1:118.

<sup>5</sup> Indeed, the pound-dollar exchange rate had been stable only since the 1870s, when the United States resumed gold convertibility. Compare that to the stability of the London gold price, which went back 150 years before that.

<sup>6</sup> Keynes, *Collected Writings*, 4:155.

<sup>7</sup> Parliamentary Debates, House of Commons, April 28, 1925, vol. 183, column 54. Cf. Moggridge, who writes that "Churchill . . . [told] the House of Commons of the decision, effective immediately, to return to the gold standard at the prewar parity of \$4.86." Moggridge, *British Monetary Policy*, 1.

<sup>8</sup> Albert Feavearyear, *The Pound Sterling: A History of English Money*, 2nd ed. (Oxford: Clarendon Press, 1963), 351–52.

<sup>9</sup> Thus, the contention is not that Moggridge, Howson, and Sayers were wrong to fixate on \$4.86. Our task is to trace the ascent of \$4.86 as the explicit target. Writing in the twilight of the Bretton Woods system, these scholars knew well that a stable relationship to the dollar did not guarantee a stable relationship with gold.

<sup>10</sup> John Gordon Hargrave, *Professor Skinner, Alias Montagu Norman* (London: Wells Gardner, Darton & Co., 1939), 2–3.

<sup>11</sup> Such as when Norman became the deputy governor of the Bank of England (writing "1915" instead of "1918"). Hargrave, *Professor Skinner, Alias Montagu Norman*, 235.

<sup>12</sup> Boyle, *Montagu Norman*, 142.

<sup>13</sup> Clay, *Norman*, 112; Boyle, *Montagu Norman*, 128.

<sup>14</sup> Feavearyear, *Pound Sterling*, 358; Kunz, *Battle for Britain's Gold Standard*, 15; Peden, *Treasury and British Public Policy*, 198; Alec Cairncross and Barry Eichengreen, *Sterling in*

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*Decline: The Devaluations of 1931, 1949 and 1967* (<AU: Please add the city.>Springer, 2003), 39.

<sup>15</sup> Boyce, “Creating the Myth of Consensus,” 183; Skidelsky, *Economist as Saviour*, 197.

Moggridge, *Return to Gold*, is exceptional.

<sup>16</sup> Stephen V. O. Clarke, *Central Bank Cooperation: 1924–31* (New York: Federal Reserve Bank of New York, 1967), 72–73; Sayers, *Bank of England*, 1:144.

<sup>17</sup> Pollard, *Gold Standard and Employment Policies*, 7.

<sup>18</sup> P. J. Grigg, *Prejudice and Judgment* (London: Jonathan Cape, 1948), 181–82.

<sup>19</sup> Skidelsky, *Economist as Saviour*, xv.

<sup>20</sup> Skidelsky, *Economist as Saviour*, 189, 193.

<sup>21</sup> Skidelsky, *Economist as Saviour*, 193.

<sup>22</sup> Moggridge, *Return to Gold*, 67–68.

<sup>23</sup> Skidelsky, *Economist as Saviour*, 189–193.

<sup>24</sup> In fact, contemporary goldbugs suggest that the problems of this “new” gold standard—like the Great Depression—followed from the attenuation of the use of gold itself. Joseph T. Salerno, “Free Banking the Gold Standard,” in *Gold and the International Monetary System: The Contribution of Michael A. Heilperin*, ed. Llewellyn H. Rockwell Jr. (Auburn, AL: Ludwig von Mises Institute, 1992).

<sup>25</sup> Keynes, *Collected Writings*, 6:346.

<sup>26</sup> Keynes, *Collected Writings*, 4:158.

<sup>27</sup> Grigg, *Prejudice and Judgment*, 180–81.

<sup>28</sup> Feavearyear, *Pound Sterling*, 350.

<sup>29</sup> Manchester, *Last Lion*, 1:791–92.

<sup>30</sup> Chamberlain-Bradbury Committee, *Report*, 9.

<sup>31</sup> Capie and Webber, *Monetary History*, 209–14. This aligns with contemporary figures. US Federal Reserve, *Banking and Monetary Statistics*, 544–555.

<sup>32</sup> Cunliffe Committee, *First Interim Report*, 7.

<sup>33</sup> Cunliffe Committee, *First Interim Report*, 3.

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<sup>34</sup> Cf. Karl Marx, “The Eighteenth Brumaire of Louis Bonaparte,” in *Karl Marx: Selected Writings*, ed. David McLellan, 2nd ed. (Oxford: Oxford University Press, 2000), 329–55. When Churchill raised this point, Norman, now eager for the return, retorted, “These three years of ‘managed’ finance have been possible only because they have been made up of . . . deliberate steps . . . towards a golden 1925.” NA T 172/1499B, Norman, “Commentary,” February 2, 1925.

<sup>35</sup> Keynes, *Collected Writings*, 19:272.

<sup>36</sup> Keynes, *Collected Writings*, 4:138.