

**INTRODUCTION**

Introduction to the symposium on banking and currency

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This symposium is the sixth that we have had at the *Economic History Review*. The papers in this symposium have not been sought or commissioned. In our symposium section, the editors simply group accepted articles on important topics to stimulate debate and to alert our broad readership to important developments in economic history.

The development of banking and currencies have been shaped by political concerns throughout history. Imperial and colonial concerns and attempts to build and maintain empires have had major effects on the nature of banking systems and the strength or otherwise of a currency. Some early papers in the *Economic History Review* bear this out. For example, in a paper published in 1931, Curtis Nettels highlighted how the condition of the currency in the United States before the American Revolution was shaped by political, trade, and commercial interests in Britain.¹ Similarly, in an article published in 1934, Albert Baster highlights the important role of British overseas banks in facilitating foreign trade but also in facilitating Britain's capital exports into its colonies and parts of the world that were within its commercial and political orbit.² In other words, the economic history of banking and currencies is very much connected to the history of empire and trade.

Wilfried Kisling in his paper looks at foreign banks and thus builds on what Baster did many decades ago. But instead of looking at Britain in isolation, Kisling compares it with Germany, with its imperial ambitions and challenge to British hegemony. In particular, he looks at the role of British and German overseas banks in facilitating trade in the first globalization. He finds that having foreign banks in a country helped Britain and Germany expand their trade in those countries and that German banks acted as initial trade promoters, helping German firms gain access to new markets.

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¹ Nettels, 'British policy'.

² Baster, 'The origins of British banking expansion'.



By the 1960s Britain was no longer a hegemonic power. Its empire was gone, its economy had been decimated during World War II, and the dollar had supplanted sterling as the world's currency of choice. But the Sterling Area, where countries (mainly former colonies) pegged their currency to Sterling, remained as a remnant of Britain's former superpower status. The Sterling Area effectively came to an end in 1979. Alan de Bromhead, David Jordan, Francis Kennedy, and Jack Seddon revisit the demise of the Sterling area in the period 1965–1979 to understand when and why individual countries left the Sterling Area. In these twilight years of Sterling as an international currency, they find that geopolitics, economics, and historical legacies all played a role in the unravelling of the Sterling Area.

Hong Kong was part of the Sterling Area: from 1935 it operated a currency board anchored to Sterling. When the pound floated against the US dollar in 1972, the Hong Kong government announced that it would move to use the dollar as its anchor. But this was to be short lived. In 1974, Hong Kong abandoned its peg to the dollar in an attempt to restore price stability. The Hong Kong currency board was no more.

In their article, Åsa Malmström-Rognes and Catherine Schenck describe currency boards as the 'standard monetary institution of colonialism'. Using new archival material, they tell the fascinating story of how Hong Kong came to adopt its famous currency board in 1983, when it repegged to the US dollar. They find that a short-lived currency crisis in 1982 set off a year-long discussion between banks and government officials about how to reform Hong Kong's monetary system. Thus, in 1983, when a currency crisis and banking instability emerged, the currency board plan was put into operation. Interestingly, Rognes and Schenck also highlight the role of currency and banking arrangements in the Sino-British negotiations over Hong Kong's future. Thus, banking and currency was an important issue in the remaining vestiges of the British Empire and the rise of an emerging power.

Banking and currency seem mundane topics for economic historians to study. But this symposium highlights the important role of banking and currency in the building of political and commercial empires. Banking and currency are key parts of the plumbing of international trade. The chief takeaway of this symposium for economic historians of banking and currency is that politics and geopolitics matters and needs to be more central in the economic history of banking and currency. The symposium also raises an important issue for future research. We need to know much more about the plumbing of the international financial system and the myriad of banking and financial networks that facilitated empire and the rise and fall and subsequent rise of international trade since the nineteenth century.

REFERENCES

- Baster, A., 'The origins of British banking expansion in the Near East', *Economic History Review*, 1st ser., 5 (1934), pp. 76–86.
- Nettels, C., 'British policy and colonial money supply', *Economic History Review*, 1st ser., 3 (1931), pp. 219–45.