

Danger to the old lady of Threadneedle Street? The Bank Restriction Act and the regime shift to paper money, 1797-1821

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Abstract

"The Bank Restriction Act of 1797 suspended the convertibility of the Bank of England's notes into gold. The current historical consensus is that the suspension was a result of the state's need to finance the war, France's remonetization, a loss of confidence in the English country banks, and a run on the Bank of England's reserves following a landing of French troops in Wales. We argue that while these factors help us understand the timing of the Restriction period, they cannot explain its success. We deploy new long-term data which leads us to a complementary explanation: the policy succeeded thanks to the reputation of the Bank of England, achieved through a century of prudential collaboration between the Bank and the Treasury."

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