

AN EXCHANGE RATE HISTORY OF THE UNITED KINGDOM

How did the Bank of England manage sterling crises? This book steps into the shoes of the Bank's foreign exchange dealers to show how foreign exchange intervention worked in practice. The author reviews the history of sterling over half a century, using new archives, data and unseen photographs. This book traces the sterling crises from the end of the War to Black Wednesday in 1992. The resulting analysis shows that a secondary reserve currency such as sterling plays an important role in the stability of the international system. The author goes on to explore the lessons the Bretton Woods system on managed exchange rates has for contemporary policy makers in the context of Brexit. This is a crucial reference for scholars in economics and history examining past and current prospects for the international financial system. This title is also available as Open Access on Cambridge Core.

Alain Naef is a research economist at the Banque de France working on the international monetary system.

STUDIES IN MACROECONOMIC HISTORY

Series Editor: Michael D. Bordo, *Rutgers University*

EDITORS:

Owen F. Humpage, *Federal Reserve Bank of Cleveland*
Christopher M. Meissner, *University of California, Davis*
Kris James Mitchener, *Santa Clara University*
David C. Wheelock, *Federal Reserve Bank of St. Louis*

The titles in this series investigate themes of interest to economists and economic historians in the rapidly developing field of macroeconomic history. The four areas covered include the application of monetary and finance theory, international economics, and quantitative methods to historical problems; the historical application of growth and development theory and theories of business fluctuations; the history of domestic and international monetary, financial, and other macroeconomic institutions; and the history of international monetary and financial systems. The series amalgamates the former Cambridge University Press series *Studies in Monetary and Financial History* and *Studies in Quantitative Economic History*.

Other Books in the Series:

Barrie A. Wigmore, *The Financial Crisis of 2008: A History of US Financial Markets 2000–2012* (2021)

Max Harris, *Monetary War and Peace: London, Washington, Paris, and the Tripartite Agreement of 1936* (2021)

Kenneth D. Garbade, *After the Accord: A History of Federal Reserve Open Market Operations, the US Government Securities Market, and Treasury Debt Management from 1951 to 1979* (2020)

Harold James, *Making a Modern Central Bank: The Bank of England 1979–2003* (2020)

Claudio Borio, Stijn Claessens, Piet Clement, Robert N. McCauley, and Hyun Song Shin, Editors, *Promoting Global Monetary and Financial Stability: The Bank for International Settlements after Bretton Woods, 1973–2020* (2020)

Patrick Honohan, *Currency, Credit and Crisis: Central Banking in Ireland and Europe* (2019)

- William A. Allen, *The Bank of England and the Government Debt: Operations in the Gilt-Edged Market, 1928–1972* (2019)
- Eric Monnet, *Controlling Credit: Central Banking and the Planned Economy in Postwar France, 1948–1973* (2018)
- Laurence M. Ball, *The Fed and Lehman Brothers: Setting the Record Straight on a Financial Disaster* (2018)
- Rodney Edvinsson, Tor Jacobson, and Daniel Waldenström, Editors, *Sveriges Riksbank and the History of Central Banking* (2018)
- Peter L. Rousseau and Paul Wachtel, Editors, *Financial Systems and Economic Growth: Credit, Crises, and the Regulation from the 19th Century to the Present* (2017)
- Ernst Baltensperger and Peter Kugler, *Swiss Monetary History since the Early 19th Century* (2017)
- Øyvind Eitrheim, Jan Tore Klovland, and Lars Fredrik Øksendal, *A Monetary History of Norway, 1816–2016* (2016)
- Jan Fredrik Qvigstad, *On Central Banking* (2016)
- Michael D. Bordo, Øyvind Eitrheim, Marc Flandreau, and Jan F. Qvigstad, Editors, *Central Banks at a Crossroads: What Can We Learn from History?* (2016)
- Michael D. Bordo and Mark A. Wynne, Editors, *The Federal Reserve's Role in the Global Economy: A Historical Perspective* (2016)
- Owen F. Humpage, Editor, *Current Federal Reserve Policy Under the Lens of Economic History: Essays to Commemorate the Federal Reserve System's Centennial* (2015)
- Michael D. Bordo and William Roberds, Editors, *The Origins, History, and Future of the Federal Reserve: A Return to Jekyll Island* (2013)
- Michael D. Bordo and Ronald MacDonald, Editors, *Credibility and the International Monetary Regime: A Historical Perspective* (2012)
- Robert L. Hetzel, *The Great Recession: Market Failure or Policy Failure?* (2012)
- Tobias Straumann, *Fixed Ideas of Money: Small States and Exchange Rate Regimes in Twentieth-Century Europe* (2010)
- Forrest Capie, *The Bank of England: 1950s to 1979* (2010)
- Aldo Musacchio, *Experiments in Financial Democracy: Corporate Governance and Financial Development in Brazil, 1882–1950* (2009)
- Claudio Borio, Gianni Toniolo, and Piet Clement, Editors, *The Past and Future of Central Bank Cooperation* (2008)
- Robert L. Hetzel, *The Monetary Policy of the Federal Reserve: A History* (2008)

- Caroline Fohlin, *Finance Capitalism and Germany's Rise to Industrial Power* (2007)
- John H. Wood, *A History of Central Banking in Great Britain and the United States* (2005)
- Gianni Toniolo (with the assistance of Piet Clement), *Central Bank Cooperation at the Bank for International Settlements, 1930–1973* (2005)
- Richard Burdekin and Pierre Siklos, Editors, *Deflation: Current and Historical Perspectives* (2004)
- Pierre Siklos, *The Changing Face of Central Banking: Evolutionary Trends since World War II* (2002)
- Michael D. Bordo and Roberto Cortés-Conde, Editors, *Transferring Wealth and Power from the Old to the New World: Monetary and Fiscal Institutions in the 17th through the 19th Centuries* (2001)
- Howard Bodenhorn, *A History of Banking in Antebellum America: Financial Markets and Economic Development in an Era of Nation-Building* (2000)
- Mark Harrison, Editor, *The Economics of World War II: Six Great Powers in International Comparison* (2000)
- Angela Redish, *Bimetallism: An Economic and Historical Analysis* (2000)
- Elmus Wicker, *Banking Panics of the Gilded Age* (2000)
- Michael D. Bordo, *The Gold Standard and Related Regimes: Collected Essays* (1999)
- Michele Fratianni and Franco Spinelli, *A Monetary History of Italy* (1997)
- Mark Toma, *Competition and Monopoly in the Federal Reserve System, 1914–1951* (1997)
- Barry Eichengreen, Editor, *Europe's Postwar Recovery* (1996)
- Lawrence H. Officer, *Between the Dollar-Sterling Gold Points: Exchange Rates, Parity and Market Behavior* (1996)
- Elmus Wicker, *The Banking Panics of the Great Depression* (1996)
- Norio Tamaki, *Japanese Banking: A History, 1859–1959* (1995)
- Barry Eichengreen, *Elusive Stability: Essays in the History of International Finance, 1919–1939* (1993)
- Michael D. Bordo and Forrest Capie, Editors, *Monetary Regimes in Transition* (1993)
- Larry Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason* (1993)
- S. N. Broadberry and N. F. R. Crafts, Editors, *Britain in the International Economy, 1870–1939* (1992)

Aurel Schubert, *The Credit-Anstalt Crisis of 1931* (1992)

Trevor J. O. Dick and John E. Floyd, *Canada and the Gold Standard: Balance of Payments Adjustment under Fixed Exchange Rates, 1871–1913* (1992)

Kenneth Mouré, *Managing the Franc Poincaré: Economic Understanding and Political Constraint in French Monetary Policy, 1928–1936* (1991)

David C. Wheelock, *The Strategy and Consistency of Federal Reserve Monetary Policy, 1924–1933* (1991)

An Exchange Rate History of the United Kingdom, 1945–1992

ALAIN NAEF

Banque de France



CAMBRIDGE
UNIVERSITY PRESS

CAMBRIDGE
UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom

One Liberty Plaza, 20th Floor, New York, NY 10006, USA

477 Williamstown Road, Port Melbourne, VIC 3207, Australia

314–321, 3rd Floor, Plot 3, Splendor Forum, Jasola District Centre, New Delhi – 110025, India

103 Penang Road, #05–06/07, Visioncrest Commercial, Singapore 238467

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning, and research at the highest international levels of excellence.

www.cambridge.org

Information on this title: www.cambridge.org/9781108839990

DOI: [10.1017/9781108878333](https://doi.org/10.1017/9781108878333)

© Alain Naef 2022

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2022

A catalogue record for this publication is available from the British Library.

ISBN 978-1-108-83999-0 Hardback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.

An online version of this work is published at doi.org/10.1017/9781108878333 under a Creative Commons Open Access license CC-BY-NC-ND 4.0 which permits re-use, distribution and reproduction in any medium for non-commercial purposes providing appropriate credit to the original work is given. You may not distribute derivative works without permission. To view a copy of this license, visit <https://creativecommons.org/licenses/by-nc-nd/4.0>

All versions of this work may contain content reproduced under license from third parties. Permission to reproduce this third-party content must be obtained from these third-parties directly.

When citing this work, please include a reference to the DOI [10.1017/9781108878333](https://doi.org/10.1017/9781108878333)

The views expressed in this book are the authors' and should not be read or quoted as representing those of Banque de France or the Eurosystem.

Published with the support of the Swiss National Science Foundation