Business History

ISSN: (Print) (Online) Journal homepage: www.tandfonline.com/journals/fbsh20

Routledge Taylor & Francis Group

The Bank of England and the 'prehistory' of corporate governance

Andrew Johnston

To cite this article: Andrew Johnston (14 Mar 2024): The Bank of England and the 'prehistory' of corporate governance, Business History, DOI: 10.1080/00076791.2024.2319343

To link to this article: https://doi.org/10.1080/00076791.2024.2319343

© 2024 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group

Published online: 14 Mar 2024.

Submit your article to this journal

View related articles

View Crossmark data

Full Terms & Conditions of access and use can be found at
https://www.tandfonline.com/action/journalInformation?journalCode=fbsh20

BUSINESS HISTORY
https://doi.org/10.1080/00076791.2024.2319343

Routledge
Taylor & Francis Group

OPEN ACCESS Check for updates

The Bank of England and the 'prehistory' of corporate governance

Andrew Johnston

School of Law, University of Warwick, Coventry, UK

ABSTRACT

Most accounts of the evolution of corporate governance in the UK take the Cadbury Report of 1992 as ground zero. This article draws on archival research to explore the work done from 1970 onwards by the Bank of England to institutionalise non-executive directors (NEDs) and investor engagement. It shows that many of the norms at the heart of the Cadbury Report of 1992 were already fully formed within the Bank by the early 1970s, and were then disseminated informally through contacts with City financial institutions and persistent efforts to identify the right kind of people to act as NEDs. The Cadbury Report was a formalisation of pre-existing norms rather than a rupture with what came before. More generally, the article highlights the influence of the idea of shareholders as 'owners' and the path dependent nature of the norms that now form the basis of corporate governance codes around the world.

ARTICLE HISTORY
Received 27 July 2023
Accepted 11 February 2024

KEYWORDS
Bank of England; corporate governance; institutional investors; non-executive directors; Cadbury Report

1. Introduction

The Cadbury Report[1] is often viewed as the beginning of corporate governance in the UK, but it was, in many ways, the end of a process that had begun two decades earlier. This article explores this 'prehistory' of UK corporate governance, and features the Bank of England ('the Bank') spending many years pushing for more and 'better' non-executive directors (NEDs) on the boards of listed companies and pressuring institutional investors to engage with the companies in which they held shares. During this period, the Bank played a key role in formulating and disseminating policy, acting as a focal point and rallying institutional investor support for these measures.

The article explores the reasons why the Bank first became involved in matters of corporate governance around 1970. It highlights why and how the Bank rejected the managerial 'balancing' ideology that dominated for much of the twentieth century, and sought to put the 'proprietors', that is, the shareholders, back in control. The article then traces the process through which the Bank decided to encourage greater institutional investor engagement with companies, and highlights the remarkable efforts on the part of individuals within the

CONTACT Andrew Johnston Andrew.R.Johnston@Warwick.ac.uk

© 2024 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group
This is an Open Access article distributed under the terms of the Creative Commons Attribution-NonCommercial-NoDerivatives License (http://creativecommons.org/licenses/by-nc-nd/4.0/), which permits non-commercial re-use, distribution, and reproduction in any medium, provided the original work is properly cited, and is not altered, transformed, or built upon in any way. The terms on which this article has been published allow the posting of the Accepted Manuscript in a repository by the author(s) or with their consent.

Bank to promote this policy in the face of indifference or even opposition on the part of investors. After that, it explores the reasons why the Bank decided to push for the appointment of more non-executive directors to boards, and then the steps the Bank took to ensure that 'better' people were appointed.

The Bank's activities were fundamental to the evolution of corporate governance in the decades that followed. The internal blueprint the Bank developed and disseminated among listed companies, though highly context-specific and path- dependent, contributed to preparing the ground in which shareholder primacy could later take root and thrive. Moreover, the Bank's approach became a global standard for corporate governance, first being embodied in the Cadbury Report, and then becoming the core of the UK Corporate Governance Code. From there it went on to shape corporate governance codes in 91 countries around the world by 2014 (Cuomo et al., 2016, pp. 111–124). The Bank's early work also provided the foundations for the Stewardship Code, introduced after 2008 financial crisis.

In exploring this prehistory, this article aims to make two main contributions. First, and most broadly, it contributes to an emerging literature on corporate ontology and social constructionism. The events described in this article occurred at a time when there were competing conceptions of who should control companies and who should constitute boards of directors. The Bank's response to the situation in the UK at the beginning of the 1970s contributed very significantly to the construction of a social ontology of the company (Veldman & Willmott, 2022) that put the interests of shareholders as 'owners' back at its centre. Indeed, the assumption that shareholders were 'owners' of companies became performative in the sense of 'bringing about the world, rather than merely explaining or understanding it' (Veldman & Willmott, 2020).

The account in this article highlights the origins of modern corporate governance not as the efficient outcome of market forces, but as the result of the prompting of a powerful actor Roy (1999, pp. 13–15), namely the Bank. By enlisting financial actors, and attributing action to them, the Bank was able to present these norms as the product of self-regulation based on expertise, heading off the threat of Parliamentary intervention (Botzem, 2014). Yet, we will see that the Bank worked very hard behind the scenes to wrest control of companies away from management and into the hands of institutional investors or of outsiders that the Bank considered 'the right kind of people'.

As a result, we will see that corporate governance could have been constructed very differently, had powerful individuals within the Bank, say, agreed with Keynes (1926) that shareholder passivity and managerial control were 'natural tendencies' resulting in 'semi-autonomous corporations'; or accepted as legitimate widespread management claims to balance competing interests in the interests of society as a whole; or accepted that informed trade unions could be a 'new force for efficiency' as Adrian Cadbury suggested to the Governor;[2] or been more amenable to employee representation on boards rather than dismissing them as 'special interests'.[3] Indeed, the political conflict between the UK and the European institutions over the Fifth Company Law Directive and specifically whether worker representatives would be mandated on boards forms a consistent – if largely implicit – backdrop to much of the history explored here.

The second intended contribution of exploring this prehistory in detail is to fill a gap in many existing historical accounts of the evolution of UK corporate governance. The literature to date (e.g. Nordberg, 2020; Spira & Slinn, 2013) has largely overlooked the early role of the Bank of England in developing and disseminating corporate governance norms. This gap in

the history of UK corporate governance has allowed a misapprehension to emerge that the UK lagged considerably behind the US in matters of corporate governance (Cheffins, 2015). This article shows that the essential elements of the modern corporate governance system, namely encouragement of independent NEDs and engagement by institutional investors, were already under discussion in the Bank and circulating in policy documents from the early 1970s. The Bank worked hard behind the scenes to encourage others to adopt its norms, which were later formalised when they were embodied in the 1992 Cadbury Report. Whilst not its primary focus, the article briefly highlights how the UK and US were moving broadly in parallel when it came to encouraging the appointment of NEDs, albeit that the US relied on more visible legal requirements whilst the UK preferred behind-the-scenes nudging of key actors. Moreover, the UK began encouraging institutional investor engagement with companies much earlier than the United States.

The article draws on research conducted at the Bank of England's archives in August 2022. Building on earlier research (Johnston et al., 2019; Johnston & Segrestin, 2021), the author's primary aim was to understand the reasons why the Bank became involved in matters of corporate governance, and in particular to explore why the Bank promoted the use of non-executive directors and institutional investor engagement so strongly. The aim was to produce a 'rich and detailed reconstruction' (Decker et al., 2015, p. 31) of the processes by which these policies were developed, including the inputs from individuals inside and outside the Bank, as well as influences from the wider political and ideological environment. In order to do this, the author requested the files from the archives that appeared relevant to this inquiry, as well as some that seemed more tangentially related.[4] The author read and photographed relevant documents from those files, interpreted them and constructed a chronological narrative. That narrative was then further developed with information from newspaper, Parliamentary and secondary literature resources. A further trip was made in May 2023 to the CBI archives held at the University of Warwick Modern Records Centre to explore Lord Watkinson's records of the process by which his report was written,[5] and to enrich the historical narrative, as well as to look for more evidence about why NEDs became the policy of choice at the beginning of the 1970s. After constructing the chronological narrative, the author then developed a complementary analysis which situated it in its wider theoretical context and highlighted its relevance to today's debates about the sources and drivers of corporate governance.

The article is structured as follows. The next section looks at the background to the Bank of England's decision to become involved in matters of corporate governance, and the process by which it formulated its first policies in this area. The third section looks in more detail at the Bank's efforts to encourage more involvement from institutional investors in the face of ongoing passivity and even hostility on the part of those investors. The fourth section explores why the Bank decided that non-executive directors were an appropriate solution to the problems facing UK companies in the early 1970s, and then details its persistent efforts to ensure that the right kind of people were appointed. A short conclusion then follows.

2. Why did the Bank of England become involved in corporate governance?

Before nationalisation in 1946, the Bank had been a private company with shareholders, but still acted in what it perceived as the public interest and consulted with government, seeing itself as occupying middle ground between the Government and the City of London. As

Fforde (1992, p. 696) puts it, it could 'persuade or cajole' the trade associations formed by financial institutions in the City, but it had to conform to accepted current practice. After nationalisation, 'the Bank became responsible for, among other things, the currency and the affairs of the City. It was accountable to the Treasury and more generally to government. However, there were very few formal accountability mechanisms'.[6] The Bank first became involved in corporate governance matters when it took the lead in prompting City institutions to self-regulate in relation to takeovers, a process that culminated with them drawing up the City Code on Takeovers and Mergers and establishing the City Panel (Johnston, 2007; Johnston, 1980, pp. 19, 37). Governor Leslie O'Brien 'claimed entire responsibility for the Panel's birth', which Capie (2010, p. 331) observes was 'typical of the Bank's desire to maintain the reputation of the City and more specifically reflected O'Brien's desire for the bank to remain the "guardian of the City's morals"'. Giving evidence in 1970 to a Select Committee about the Bank's role as 'representative of the City', the Governor said that there:

> was no doubt that the Bank was "the arm of Government in the City", but it was also the "banker's best friend", having built up close contacts with City institutions over the years. These contacts had given the Bank "an understanding of the legitimate interests and needs of City institutions"… He was not the representative of the City, but he did represent City interests when he thought it was right and proper to do so.[7]

However, the Bank's involvement in matters of corporate governance escalated from 1970 in response to the Rolls Royce crisis. Alongside discussions about industrial democracy, the Labour Government of the second half of the 1960s had, behind the scenes, briefly explored the possibility of institutional investor engagement and appointment of NEDs as part of a wider inquiry into the orientation of the firm and as an alternative to the 'casino' of the takeover market (Bowden & Gamble, 2021). Ultimately, it did not take this forward for a variety of reasons (Tomlinson, 2004, p. 706), deciding instead to establish the Industrial Reorganisation Corporation (IRC) as a means of improving efficiency and national competitiveness (Pass, 1971). As well as providing finance on commercial terms, the IRC was supposed to engage in dialogue with management with a view to identifying reorganisation opportunities. The Bank had some limited involvement in its establishment, and also assisted with its winding down, a few years later in 1970, following the election of a Conservative government led by Edward Heath on an anti-interventionist platform (Capie, 2010, pp. 318, 324).

Rolls Royce had begun to get into financial difficulties in the 1960s, and in 1966 it had taken the decision to develop, with government support, the RB211 engine. As costs spiralled, the IRC, after looking into Rolls Royce's finances, had made a loan of £10 m to the company.[8] That turned out to be insufficient and the Chancellor asked the Governor to mount a salvage operation, given that collapse might undermine confidence and even the UK's currency (Capie, 2010, pp. 786–787), as well as have political repercussions with the US (Holmes, 1997, pp. 41–42). Internal bank documents reveal serious concern about putting public funds into companies, noting that IRC intervention had been 'designed to secure appropriate mergers and the sacking of inefficient management, rather than to subsidise open-endedly the incompetent'.[9] In line with his belief that finance should be procured from the 'institutions' which were the 'natural long-term lenders',[10] the Governor put pressure on the private sector to provide a significant amount of the finance necessary to save the company, but Rolls Royce's contract with Lockheed to supply the engine had become too

expensive. Ultimately the company went into receivership in February 1971 without drawing on the finance, with the Bank standing by to provide help to any member of the accepting houses syndicate that encountered difficulties. A government-owned company took control of the Rolls Royce assets (Capie, 2010, p. 789). The RB211 was then developed with government support, estimated at £170 m, and was successfully launched.

As well as causing the reversal of the Heath government's anti-interventionist policy (Holmes, 1997, pp. 48–51), the collapse of Rolls Royce prompted the Bank to take action. The Bank's 1972 Annual Report states that 'A good deal of thought was given in the year under review by the Bank, by others in the City and by the Confederation of British Industry to improving the management of public companies'.[11] The Bank's approach here was in line with its long-standing preference for 'esoteric politics', relying on – and overseeing – groups of actors to manage financial markets (Moran, 1984, pp. 47–52), and heading off the threat of regulatory intervention.

The archival documents provide more detail as to what was going on behind the closed doors of the Bank on Threadneedle Street in the City of London, and how the Bank's thinking evolved. In late 1970, a memo was drafted by John Page, who had just been promoted from Deputy to Chief Cashier of the Bank, a position described as 'effectively a chief executive's position with wide ranging operational and management duties'.[12] The first draft of that memo identified a need 'to devise a means whereby private investors can obtain an independent assessment of future prospects for firms in prospective or actual financial difficulty and exert sufficient pressure on managements to ensure the changes needed to put the enterprise on a sound and profitable basis'.[13] The following month, a revised draft, which the Governor showed to Douglas Allen, the permanent secretary to the Treasury, accepted the Government's 'philosophy' that any initiative or response had to come from the shareholders. It highlighted 'the lack of a body of independent standing which could inquire into, and stimulate action in, situations where a company's future appeared to be in some degree threatened and where the existing management seemed not to be willing or able to take adequate measures to meet its problems….'. This draft began to consider shareholders filling this gap, but concluded that 'Shareholders are not, as a body, organised and equipped to undertake such a task; and though it has been widely suggested in the Press that institutional investors should be prepared to step in in the interest of investors generally, even they are hardly organised to do so effectively'.[14] A further revision of the memo in March 1971 made a further subtle shift away from financial restructuring and towards monitoring by shareholders, noting that 'money alone is not the answer to the problem'. It called for 'closer contact between those who invest in industry and those who run it' in the hope that 'If… industrial management could be made subject to more informed and continuous scrutiny there seems good prospect of its efficiency being improved and private investment capital being more wisely used'.[15] However, it then highlighted the traditional reluctance of large institutional investors to 'interfere in the management of the companies of which they become shareholders', taking the view that 'it is better to switch than to become involved'.[16] After receiving comments from Sir Humphrey Mynors,[17] the Governor then shared the draft with Leopold de Rothschild, as he canvassed whether the City would be willing to provide finance to companies in difficulty. Both men regretted the demise of the IRC, but Rothschild suggested it would be better to set up a high-level working party than to circulate the memo around the City.[18]

Shortly afterwards, the first draft of a much longer document entitled 'Industrial Management and the Institutional Investor' was circulated.[19] This important document highlighted that the 'rise of management and the decline of the proprietor left the large public company in a position of autonomy'.[20] Managers might have been loudly and publicly claiming that their professionalism would enable them to balance the competing interests at stake in the company at least until the 1950s (Johnston et al., 2019), but the Bank of England memo rejected this justification of the status quo. In the Bank's view, proclaiming 'professional management as the enlightened trustees of an endowed Foundation, balancing their responsibilities to labour, to capital, or to "society at large"' was simply to deny the problem. Faced with the choice between managerial control and state annexation of control of companies (which was what had happened in the Rolls Royce case), the Bank proposed an 'effective alternative', namely 'the improvement of managerial accountability within the existing form of the public company'.

Whilst this memorandum was revised a number of times as it circulated internally in the Bank of England,[21] the central proposal remained unchanged. Accountability was to be 'effected in two distinct though related ways: firstly by appropriately mobilising the influence either of a company's principal owners or of its main creditors, or both; and secondly by the development of additional rules or codes under which the management and direction of a public company operates'.

As can already be appreciated, these proposals essentially represent a blueprint for corporate governance which has endured to the present day. Yet, the literature to date has omitted these early developments. For example, Nordberg (2020) looks at developments in the United States before the 1990s, but its discussion of corporate governance in the UK begins with Cadbury. Likewise Cheffins (2008) and Maclean (1999) omit any discussion of the Bank's role in corporate governance, whilst even Spira and Slinn (2013), in their comprehensive history of the Cadbury Committee, only briefly mention the role of the Bank of England in encouraging more interventions in corporate governance. Parkinson (2000, pp. 234–237) goes the furthest, drawing attention to the 'informal pressures and repeated exhortations' by the Bank of England 'over a period of at least twenty years prior to Cadbury… that there was a need for board reform'. What follows fleshes out Parkinson's brief account, examining in more detail what the Bank of England was saying and doing behind the scenes, as well as its activities on the ground.

3. The bank's activities to increase institutional investor influence

In the previous section, we saw that, in early 1971, the Bank took the position that, in light of the demise of the IRC, increasing contact between shareholders and managers was one way of reducing the number of managerial failures. At the same time, the Bank was aware of the danger of a kind of 'mob rule which, just as it prevents governments from governing properly, would prevent managements from managing'.[22]

'Industrial Management and the Institutional Investor' was presented to the Court of Directors in February 1972, the Governor telling them that this was the Bank's 'attempt to bring appropriate pressure on industrial management to improve itself'. He added that the 'main aim of the proposals was to find a new means of helping industry to the benefit of shareholders and employees alike. It envisaged a focussing of investor opinion on industrial management, when the only present focus was in the stock market'.[23] Unable to attend that meeting, Adrian Cadbury, a NED at the Bank, submitted in writing that he agreed that an 'initiative' should be launched to head off the threat of statutory intervention, but this would

require 'the broadest possible backing of industry and commerce'.[24] Whilst Cadbury preferred that the Finance Corporation for Industry lead the initiative, he thought the National Association of Pension Funds 'could provide the most acceptable base from which to develop a more effective shareholders' organisation'. In the Court of Directors on 17 February, Rothschild thought 'that a widely-based investors' protection committee was needed, a view shared by Mr John Keswick, another banker, who wanted to see 'an association of shareholders… comprising such bodies as the Insurance Companies, Investment Trusts, Pension Funds, etc'.[25] In the end, by August 1972, presumably at the Governor's prompting, the Association of Investment Trust Companies had drafted a tentative proposal for a 'Working Party on Industrial Management and the Institutional Investor' to examine and report on 'a possible structure and method of operation of a central organisation through which institutional investors, in collaboration with those concerned, would stimulate action to improve efficiency in industrial and commercial companies where this is judged necessary'.[26]

It seems clear that the establishment of the Working Party was motivated by a desire on the part of the Bank and others to avoid Parliamentary intervention, as well as a desire to keep things in the hands of the financial institutions under Bank oversight. This was in line with the Bank's general approach, mentioned above, but also pushed in the same direction as others who did not want to see shareholder influence diminished. Prominent figures like Brandon Rhys Williams, a Member of Parliament, were arguing that the 'gradual euthanasia of the shareholder is not a development to be welcomed'.[27] Similar views had been expressed by financial institutions, with EW Phillips, Chairman of Association of Investment Trust Companies, reported to have expressed concern in November 1969 about the Labour Party's 'Agenda for a Generation' which mentioned 'possible disenfranchisement of shareholders'. He added that 'I have no doubt that steps must be taken more firmly to establish the position of shareholders as owners of the company in which they are invested. Unless this is done, the position will go by default and control will pass elsewhere'.[28]

Whilst the Chairman of the Stock Exchange was supportive,[29] the Bank's first initiatives received limited support from the institutions themselves. In particular, the British Insurance Association (BIA), which represented a very significant fraction of UK shareholdings in 1973 (Dobbins & McRae, 1975, p. 379), had become 'much more cautious and there was a real danger of the possibility of effective action evaporating'.[30] Bowden and Gamble (2021) suggest that there was little enthusiasm for engagement among 'patrician' institutions, such as insurance companies, which were happy simply to hold, whilst the newer institutions privileged trading as a source of profits. However, there were also strategic reasons behind the refusal of the insurance sector to get on board. Since the early 1960s, insurance companies had 'stepped up their selling efforts' (Hannah, 1986, p. 59), leading to a rapid increase in coverage of occupational pension schemes (accompanied by a parallel increase in insurance company holdings of equities). Pensions were firmly on the agenda of corporate management, but insurance companies faced competition from actuaries who were advising corporate managers to set up self-administered trust funds, and the largest companies and nationalised industries were hiring investment advisors and running huge pension funds very successfully. Amid a drift towards self-administered schemes, and a political struggle about the conditions for contracting out of proposed enhanced state pensions, Legal & General had begun 'unbundling' their services in 1971, starting the move towards what we would now call asset management, and were successful in increasing their assets under management in the face of fierce competition (Hannah, 1986, pp. 71–77). Hence keeping

corporate management onside would have been a key strategic goal of the sector, explaining both the 'buy-and-hold approach' of insurance companies (Dobbins & McRae, 1975, p. 406), and also the unwillingness of the BIA to commit to intervening in investee companies. This strategy ultimately proved successful as insurance companies increased their share of private sector fund management throughout the 1970s (Hannah, 1986, pp. 77–78).

The attitude of the insurers in the early 1970s highlights a limitation of relying on shareholder engagement to improve corporate governance that persists to the present day: it will only happen where the institutional investors in question believe that it will make their own business more successful. In any event, the BIA's refusal to sponsor the initiative did not deter the Bank, and in February 1973, a draft statement on the Institutional Shareholders Committee (ISC) was drawn up. The object of the ISC was to coordinate existing investment protection activities of investors where necessary 'with a view… to stimulating action by industrial and commercial companies to improve efficiency'.[31] The ISC was formally launched on 16th April 1973, but by May 1975 it was already recognised within the Bank that the ISC had not really met objectives of Lord O'Brien's initiative.[32]

Yet, despite this, and a change of Governor in 1973, the idea that institutional investors should take action in relation to investee companies did not go away. In 1975, with the Labour government of Harold Wilson in power with a tiny majority, John Fforde, an executive director of the Bank and later its official historian, wrote to the new Governor, Gordon Richardson, who had succeeded O'Brien, summarising the earlier 'initiative'. He highlighted that companies were facing both 'a colder economic climate' and 'the imminent enactment of leftist solutions in place of the rather ineffectual arm-twisting of Mr. Heath'.[33] Fforde set out the argument that 'the financial sector of the economy has become defective', being unable to provide 'constructive sanctions against persistently bad industrial management'. He argued strongly for action to bring about 'important institutional change' in the form of a 'powerful unit' to bring financial institutions together and put their solutions into effect. The discussion continued through the year, with key figures such as Henry Benson, an influential and prominent accountant who became advisor to the Governor in 1975 with special responsibility for coordinating investors,[34] and Fforde discussing the possibility of institutional investors pushing for outside directors, for example.[35] The continuity of Bank policy can be seen in its 1977 public submission to the Wilson Committee to Review the Functioning of Financial Institutions. The Bank wrote that 'it could bring nothing but good if institutional investors could be mobilised to take, directly or indirectly, an active concern in the commercial performance of the companies whose shares they held'.[36] In arguing for a 'constructively neutral' central organisation to 'gather together all the parties concerned and ensure that divergent interests can be combined', something to which some of the institutions were opposed, the Bank drew heavily on the views of Cadbury and Fforde.[37]

Some institutions continued to profess support for the ISC,[38] and key people inside the Bank did not give up, despite the lack of evidence of any real practical impact.[39] In 1978, a discussion paper, 'Institutional Investors and Company Management', was circulated by David Walker, who had joined the Bank from the Treasury the previous year.[40] Walker noted that he had been working on a paper following a meeting between Fforde, the Deputy Governor (Jasper Hollom) and a Wilson sub-committee. Walker's arrival, and his discussions with Benson and Anthony Loemis (Chief Advisor at the Bank in 1978–1979), gave fresh impetus to the Bank's drive for more shareholder engagement. In his communications from 1978 onwards, Walker repeatedly highlighted the 'proprietorial gap',[41] as he sought to provoke

'discussion and mind-clearing' within the Bank.[42] He accepted that there was 'little novel in any of these ideas – the novelty would be in getting them accepted by the institutions and put into practice'.[43] This would involve the institutions gaining 'a more positive concept of their secondary role' which involved 'preventive medicine and early diagnosis', as well as finding agreement 'on ways and means of promoting the responsibility of company boards', including: exercising influence to secure acceptance of appointment of NEDs (here Walker noted the recent suggestion of the Securities and Exchange Commission (SEC) that companies appoint a majority of outside directors); more regular meetings to discuss issues of concern; and so on. Once more we find the fear of outside intervention: given ongoing discussions within the Wilson Committee, something was needed 'before too long if any City initiative is not to be swamped by efforts at an imposed solution'.

Walker returned to this theme in an October 1978 memo, again asking 'whether there is a case for fostering increasingly close relationships between institutional shareholders and the companies in which they are invested'.[44] The accompanying paper entitled 'Management of Institutional Shareholdings' highlighted that 'much of the ground above was traversed in 1972', and again noted the 'strong corpus of opinion', centred particularly but not exclusively on the insurance companies, that the status quo was satisfactory. Walker went further later that month,[45] suggesting the possibility of a code of conduct and responsibility, 'almost a Bank of England Green Paper' which 'would seek to embody an agreed view of "best practice" in the handling of institutional relationships with companies. Such a paper might cover the case for the appointment of non-executive directors and wider use of audit committees… [insider trading]… and suggest areas where it is helpful for institutional investors to intervene in company management and those which are unhelpful'. This would, he said, not be hard to draft, but it would need institutional support. Around this time, the Department of Industry recommended that the Government should 'support the efforts of the Bank of England in trying to convince the institutions and companies of the benefits to be derived from institutional involvement'.[46]

It can be seen from this that Fforde, Benson and Walker played an important role in keeping institutional investor engagement on the Bank's agenda throughout the 1970s, even though, as Walker put it, 'the problems and pitfalls are legion'.[47] It is also worth noting that, with the Bank leading the way, the UK began encouraging institutional investor engagement with companies much earlier than the United States. Bratton (1989, pp. 1492–1493) notes that there, even in the late 1970s, managers maintained stable dividends, whilst investors followed the 'Wall Street rule' of selling shares where they considered management to be ineffective. Finally, and most strikingly, it is clear that the ideas that underpinned the introduction of the Stewardship Code in 2010 were already fairly fully formulated in Walker's mind in 1978, some 32 years earlier, and in the context of a very different kind of crisis.

During the decades that followed, the influence of institutional investors ebbed and flowed, but mostly ebbed. In its review of the ISC, the 1980 Wilson Committee concluded that the ISC 'was adequate for any collective action that may be needed, though they would often be more effective if they acted at an earlier stage than has been common in the past'.[48] In the event, however, institutional investor engagement largely dropped off the Bank's policy agenda during the 1980s, with the market witnessing an enormous takeover boom, whilst the Bank focused on NEDs (discussed next). With the ISC having become 'virtually inactive',[49] it was not until 1989 that internal discussions began again in the Bank of England. Jonathan Charkham, who became an advisor at the Bank from 1985,[50] highlighted that, in

the UK context, there was 'no alternative' to 'active shareholding' because company law had made shareholders 'technically supreme', yet shareholders had 'all but abdicated', doing little more than deciding on the success or failure of takeover bids (Charkham, 1989, p. 8). Perhaps as a result of these musings, the ISC was reactivated in 1989, and in 1991 issued a statement on the 'Responsibilities of Institutional Shareholders in the UK', which committed to bringing about change in companies and was endorsed by the Cadbury Committee in 1992.[51] Meanwhile, as we will see next, Charkham had spent much of the 1980s attempting to ensure an adequate supply of the right kind of NEDs.

4. The bank's involvement in reforming boards

In this section we explore the reasons why the Bank decided to push for more outside or non-executive directors (NEDs) as another solution to the management problem it had identified at the beginning of the 1970s. Then we detail the Bank's efforts to push for more 'high quality' NEDs. This part of this history confirms Parkinson's (2000, pp. 234–237) argument that it is a 'serious over-simplification' to explain the emergence of 'non-executives as a market-induced mechanism to limit agency costs in companies with widely dispersed shares'. Rather than being company- or investor-led, the Bank played a central and deliberate role in transforming the board from a managerial to a monitoring body, and NEDs have remained a mainstay of corporate governance in the UK ever since.

Why did the bank settle on NEDs as a solution to the management problem?

In 1971, the Bank had taken the view, in 'Industrial Management and the Institutional Investor', that reforms to corporate practice were required, but had not yet decided precisely what that should look like. It was considering changes 'in accounting method, or in the provision of information to the Board, or in the effectiveness of non-executive directors, to name the more widely-canvassed'.[52] Promoting the use of NEDs on company boards as a solution to corporate failures was not necessarily an obvious route to take. Outside directors had been on boards throughout the twentieth century, but had been widely derided. Accordingly, the NED had to be distinguished from infamous 'ornamental' and ineffectual 'guinea pig' directors, as well as from the 'surplus' directors, who held multiple board appointments but contributed little other than connections (Samuel, 1933, pp. 111–124).

As for why the Bank committed so strongly to NEDs, the evidence is only circumstantial. The Bank knew from its contacts with the British Institute of Management (BIM) and the Confederation of British Industry (CBI) that top management would be unlikely to oppose board reform, not least because it would 'strengthen the public company against ill-organised meddling and harassment from whatever source'.[53] In 1970, management consultants were acting as 'the primary institutional conduits for the transfer of American organisational models' (McKenna, 2006, p. 166), and advising companies to put more NEDs on their boards (Gourvish, 1987, p. 35; Parker, 1970, p. 37).[54] While there is no direct evidence that management consultants influenced the Bank, it is notable that the Bank itself was reviewed by McKinsey beginning in 1969 for about a year.[55] Hugh Parker, the managing director of McKinsey's London office wrote (Parker, 1970, pp. 30–37) that boards were now accountable to a new set of outside 'owners', implying 'a different role and set of responsibilities for the directors'. It was 'unrealistic' to expect a board 'consisting largely of executive managers to

take the tough remedial action that may be necessary', making it 'virtually essential for a board to have a substantial proportion of nonexecutive members, on the order of one-third to one-half… if it is to perform effectively its basic function of objectively guiding the affairs of the company in the best interests of its shareholders'. Whilst Parker was not involved in the review of the Bank, these ideas probably formed part of McKinsey's blueprint for organisations under review.[56] However, the Bank had had NEDs, albeit not independent, since they consisted of potential future governors and previous incumbents, from at least 1894 (Cadbury, 1990, p. 10; Lees & Footman, 2014, p. 29), and so McKinsey's specific recommendations for the Bank would not have included appointing NEDs. At the same time, the Bank's longstanding use of NEDs might have contributed to an internal assumption that they were a hallmark of accountability and what is now referred to as 'good governance'.[57] Finally, Adrian Cadbury, who joined the Bank as a NED in 1970, and remained there until 1994, would have been familiar with McKinsey's preference for NEDs: he was chairman of Cadbury Ltd when it was reviewed by the consultants in the second half of the 1960s (McKenna, 2006, p. 182).

There is little archival evidence of discussion about the merits of NEDs in the Bank in the early 1970s. Adrian Cadbury highlighted the importance of looking at how other countries dealt with the question of management accountability. Cadbury thought that boards suffered from 'deficiencies in relation to shareholders and the management of the enterprise'. In particular, 'the contribution of part-time directors is limited', particularly 'as management becomes more professional', although he thought part-time directors who were full-time executives of equivalently sized companies could 'ensure the spread of good management standards'.[58] The Governor, and senior executives within the Bank, such as John Fforde, would presumably have been familiar with discussions in the media about how the recruitment, remuneration and role of NEDs was changing.[59] More specifically, in May 1971, Sir Charles Villiers had given a speech on 'Tomorrow's Management',[60] in which he explored the US system as 'a noble attempt to provide continuous Management auditing'. He argued that there was a need to 'define the duties of non-executive directors as supervisors and contrast them with the duties of executive directors as managers', 'to specify a minimum number of non-executive directors in Companies of a certain size and status' and 'to require non-executive directors to report on specified matters to the shareholders'. Villiers had been the Managing Director of the IRC and was well known to Leslie O'Brien, who was Governor of the Bank in 1971. O'Brien appears to have discussed the speech with Villiers before it was given, and to have been receptive to the ideas in it.[61] Fforde, who also had advance knowledge of the speech, was less impressed, preferring to rely on institutional investors and terming Villiers' ideas 'a little slapdash'.[62]

The decisive moment seems to have come on 22 July 1971, when the Governor of the Bank met a number of City grandees at the Savoy Hotel.[63] The Governor talked about the Bank's memorandum, 'Industrial Management and the Institutional Investor', discussed above, which few outside the Bank had seen. The Governor subsequently reported to the Secretary of State of Trade and Industry that the 'general consensus of opinion… had been that it would be desirable for something to be done to strengthen the position of the part-time director within the board of directors'.[64] It was agreed that Henry Benson would produce the first draft of a code, although Fforde noted in a memo that the 'code of conduct [was] intended to cover a good deal more than the position of part-time directors… the dinner-party group had taken the view that the best and most immediately practicable way of facilitating lasting improvements in the management of public companies would be to

reinforce, or render much more effective than was often now the case, the responsibility and accountability of Boards of Directors'.[65]

Around the same time, there was a great deal of public discussion about the role of NEDs (or 'independent directors' as they were more commonly labelled) in the United States, both by policymakers and in the academic literature. In the US academic debate, Mace (1971) highlighted that the board of a typical, widely-held company consisted of fifteen members, eight of whom were outsiders. Mace's fieldwork identified three functions of boards: providing advice and counsel to management; serving as 'some sort of discipline' by requiring insiders to give an account of performance; and acting in crisis situations.[66] The requirement of the New York Stock Exchange (NYSE) that listed companies should have at least two non-executive directors inspired a private member's bill from a Member of Parliament, Sir Brandon Rhys Williams.[67] Between 1971 and 1976, he repeatedly introduced a private members' bill on companies, which would have required listed companies to appoint at least three NEDs, but these never became law.[68] His activities were on the Bank's radar, with Rhys Williams writing to, and meeting with Fforde in 1972.[69]

US public policy further endorsed NEDs with the Securities and Exchange Commission's (SEC) 1972 report into the collapse into bankruptcy of the Penn Central Railroad in June 1970, at the time the largest bankruptcy in US history (Gordon, 2007, pp. 1514–1515). The SEC emphasised 'the critical importance of… greater utilisation of public and independent directors' and 'the professionalisation of their function'.[70] In the same year, the SEC urged shareholders to press for audit committees composed of outside directors (Birkett, 1986). In a 1973 speech, the Chairman of the SEC emphasised 'the talent, the expertise and the independent view that outside directors can bring'.[71]

However, whilst developments in the US may have been more formal and visible, it is not the case that, in the UK, corporate governance was 'off the agenda until the beginning of the 1990s' (Cheffins, 2015, p. 428). In fact, the UK and the US were proceeding broadly in tandem in terms of promoting the use of NEDs. Just as policymakers in the US had been galvanised by the bankruptcy of Penn Central, we have seen that the February 1971 insolvency of Rolls Royce acted as an important trigger for the Bank to intervene. And just like Penn Central, Rolls Royce had had plenty of non-executive directors on its board at the time of its collapse (Bowden, 2002, pp. 47–49), something that was remarked upon in Parliament.[72]

Given the presence of NEDs on the boards of these companies, the question facing policymakers in both countries was therefore how these outsiders could be made more effective, and here they differed markedly. The SEC and the NYSE were very willing to use their rule-making powers to bring about changes to corporate governance, and so the US was well ahead in terms of uptake of audit committees, and in terms of the percentage of outsiders on boards in 1975 (Herman, 1982, pp. 36–38).[73] In contrast, in the UK, the key actor was the Bank of England, which emphasised more intangible notions of quality, and largely acted behind closed doors, preferring a more informal approach to identifying appropriate NEDs. As noted above, this was in line with the Bank's approach more generally, as it sought to preserve its own regulatory capacity by overseeing self-regulation in the City of London.

Hence, the Bank used its central position between government and the City of London to encourage all concerned to take steps to appoint more and better NEDs. In line with this approach, key policymakers, both in the Bank of England and in the Government,[74] remained

strongly opposed throughout the 1970s to the use of law to mandate more NEDs. As we will see next, the Bank worked very hard over the next two decades to encourage companies to appoint more 'high quality' NEDs.

How did the bank promote appointment of more 'high quality' NEDs?

In 1971, the Bank was deliberately acting as a focal point, drumming up support for changes to board structure. At the same time, it is clear that insiders at the Bank envisaged something different from the 'guinea pig' or 'surplus' directors of the past. Despite his initial scepticism, Fforde had by 1972 become more supportive of the policy, noting 'an interesting school of thought which sees the obligatory appointment of non-executive directors, charged with specific and separate accountability to shareholders, as the best means of encouraging and enforcing the desired improvement in industrial management'.[75] Fforde also engaged in discussions with representatives of the CBI, reporting the CBI's view that management could head off attention from both government and institutional investors by 'conducting some kind of exercise in what I have called "company reform" while at the same time obtaining prestigious endorsement of management's responsibility to a variety of interests'.[76]

The repeated efforts of Brandon Rhys Williams, noted above, to introduce a Companies Bill requiring listed companies to appoint NEDs posed a significant threat to the Bank's preference for a behind the scenes approach to getting more NEDs appointed, as well as to its long-standing preference for self-regulation in financial affairs. In response, the Bank proposed to set up a 'Committee on the Direction and Control of Public Companies', which would give early consideration to inter alia, 'role of board in discharging obligations to shareholders', 'the role and function of executive and non-executive directors respectively: their selection, their powers and their proportion on the board' and 'the material and information necessary to exercise control and measurement of performance', representation on the board of various interests including shareholders, medium and long-term creditors and employees, as well as supervisory boards.[77] Lord Watkinson subsequently agreed to chair,[78] and at the outset was given various documents by the Bank that supported the appointment of NEDs.[79] Watkinson remained in close contact with the Governor during the process of drafting his report.[80] With the 'Watkinson Committee' established, the Government refused to back Rhys Williams' bill, partly on the basis that it risked dividing the board, and partly on the basis that it would be 'premature' to legislate on this issue pending Watkinson's report.[81] Whilst the Bank continued to back Rhys Williams' latest bill, at least publicly, it believed that it would be killed by the DTI, with the CBI in the background.[82] And as we will see, the Bank remained firmly set against a legislative requirement.

When Watkinson's interim report reached the Bank, key members of staff were underwhelmed. John Luce, an advisor at the Bank termed it 'pretty old hat', whilst Fforde commented that it was 'defensive', with the CBI committing to a code of conduct but being opposed to any rules being imposed from the outside. Luce highlighted the report's recommendation that NEDs be appointed, as well as its opposition to two tier boards, adding that 'the question of representation on the board of special interests, including employees, stems from the fear that the subversives would be given even greater scope. For historical and other reasons, it would be unwise, it is argued, for Britain to follow continental practice on

this point'.[83] The Bank remained sceptical that a CBI-sponsored Code of Conduct would be sufficient to 'keep Whitehall and the European Commission at bay', although it remained supportive of Watkinson's emphasis on NEDs and information requirements.[84]

Around this time, it became clear that the Department of Trade & Industry (DTI) was planning a Companies Bill, which might impose specific responsibilities on larger shareholders, including to nominate board members. The Bank was opposed to this, Fforde expressing the view that, if there had to be regulatory intervention, then Rhys Williams' proposal of a minimum number of NEDs for larger public companies was preferrable.[85] Fforde seems to have talked Philip Brown of the DTI out of obliging large shareholders to nominate directors and towards the possibility of legislating for a minimum number of NEDs. He also told him, in confidence, that the outcome of 'the Initiative' (i.e. the Governor's efforts to encourage the institutions to intervene) would be known fairly shortly and it might be possible 'to develop quite a useful linkage between the outcome… and a reference to non-executive directors in the Green Paper'.[86]

The final Watkinson Report,[87] endorsed by the CBI Council on 19 September 1973, concluded that 'The inclusion on the board of non-executive directors is highly desirable. Arguments in favour of this should be given wider publicity and action should be taken to encourage more candidates to make themselves available'.[88] The Report makes clear its concern with the threat, given the UK's imminent accession to the EEC, from the proposed Fifth Company Law Directive, which would have mandated two tier boards.[89] It is also clear from correspondence that Watkinson himself was very concerned that a two tier board might become mandatory.[90]

In the event, following publication of the Watkinson report, the Government's attentions turned to defeating the Fifth Company Law Directive, and it appears to have fallen to the Bank of England to take the lead in efforts to increase the quantity and quality of NEDs. The Bank viewed its role as being to help institutional investors to bring about the board composition that they wanted, and there was some evidence that the institutions wanted more NEDs. For example, in its January 1978 review of the ISC, the Joint Standing Committee of the institutions expressed its support for the appointment of NEDs, on the basis that 'non-executive directors occupy a special position in shareholders' eyes; it is to such directors that shareholders particularly look to safeguard their interests at times of conflict with or within a board'. However, it was less keen on getting involved in selection, which it thought 'should remain the prerogative of the existing board'.[91]

The new Chairman of the Prudential had highlighted to the Bank that 'Good non-executive directors were too few on the ground'.[92] Key personnel around the Bank shared this view: Benson and Fforde agreed that 'there is a need for part-time directors of high quality'. Echoing Cadbury's earlier comments, Benson's strong view was that 'the right way to approach it is to get cross fertilisation between boards. The best part-time director is somebody who is a full-time executive in another company…. This has not been done in anyway like enough'.[93] The call for action was reiterated by David Walker three years later in 1978, when he asked whether 'the Bank should not more directly be promoting the appointment of non-executive directors and the development of audit committees'.[94]

In early 1979, John Boulter, a member of the Economic Intelligence Department at the Bank, sent Walker a draft Bank position paper on NEDs and audit committees.[95] It noted that, whilst management might have improved and become more professional, 'control and

direction from the boardroom have not been correspondingly improved'. It argued that the function of directors is different from that of managers, being 'concerned with long-term objectives and strategy', and directors should 'hold themselves responsible for the adequate monitoring of performance so as to assure control over the results produced by the management. Particularly in relation to financial performance and financial control, present practice is widely inadequate'. In addition, it expressed opposition to the same person holding the positions of chairman and managing director, because this 'can often undermine the effectiveness of the company's performance'. Echoing Villiers' speech from 1971, the memo noted that US boards are 'predominantly non-executive' but 'not as effective as they should be'; nevertheless, American experience suggests a largely non-executive board 'could, ultimately be an appropriate structure for the larger public company'. It concluded that 'virtually all concerned with the health of the company sector' had endorsed NEDs; however, the way forward was not regulation but 'active proselytising by these bodies'.

By 1979, then, the Bank's position on NEDs had firmed up, and Boulter requested an economist at the Bank, JC Tolhurst, to identify 'any quantitative evidence in support of the belief that a firm gets better results if has a suitable board structure – the main characteristic being a sizeable number of non-executive directors'. Tolhurst expressed scepticism as to the feasibility of this, given that performance is related to so many factors, and also that the 'quality [of NEDs] and degree of involvement in the company' was so variable. She pointed out that 'It is interesting that all the major collapses since 1970 (i.e. Rolls Royce, Burmah) were companies with large numbers of non-executive directors'.[96] Tolhurst followed up three weeks later, noting that results were not encouraging and showed a weak negative relationship between the variables, and concluding that 'not much can be hoped from this exercise'. Boulter nevertheless found confirmation of the desirability of existing policy in this, writing on the file that 'This exercise suggests that the present use of NEDs makes little difference, which points up the need for quality rather than quantity & for slow, sure progress rather than speedy enforcement'.

The question of quality of NEDs was one to which the Bank repeatedly returned as it sought to ensure that outcomes matched its expectations of this change to company practice. Walker continued to argue against a statutory requirement,[97] a view shared by the chairman of the National Association of Pension Funds (NAPF), who wrote to the DTI expressing support for NEDs on boards of listed companies, but noting that 'calibre is more important than numbers'.[98] The NAPF was arguing for a 'Code of Practice' drawn up by body such as the ISC, with shareholders creating pressure for NED appointment, against the background of a Code requirement for 'companies to state the progress that has been made in this direction in the Directors' Report'. Here we can perhaps detect the origins of the 'comply or explain' principle.

Six months later, and in light of ongoing difficulties experienced by chairmen and investors in identifying suitable candidates, Walker and Benson were discussing the possibility of a central register for NEDs.[99] Both Walker's memorandum and comments written on it endorse the view that the aim was to get the 'great and the good' onto boards through this service, especially to help with the 'financial aspects of a company's business'.[100] The Department of Industry shared the Bank's view, suggesting that the Bank might encourage companies to release their best people who might bring 'new perspectives and ideas to insular companies without disrupting management structure'. The Department agreed that legislation would not be helpful because it 'would lead to the wrong type of people being appointed merely to fulfil a legal requirement'; rather it was a question of finding 'the right

man'. It therefore urged ministers to support the Bank's efforts and also to push for NEDs themselves.[101]

In October 1979, Benson and Walker met Sir John Methven of the CBI, who was 'totally persuaded of the case for increasing the number of independent directors on company boards and was dedicated to doing all he could to support this'.[102] Methven wanted preparatory work to be done by the Bank, and in November 1979, Benson proposed that a non-profit agency should make 'competent, reliable and suitable' NEDs available to companies.[103] After the idea of 'inserting an NED provision as an addition in the Stock Exchange listing requirement' was rejected,[104] Benson sought approval for this initiative from the Governor on the basis that 'Everyone who matters agrees that NEDs are necessary and desirable in most companies and it would improve British Industry if they were more widely adopted ("Everybody" means the CBI, the Stock Exchange, the Institutions, the CLCB [Committee of London Clearing Bankers] et al.)'. After the failure of efforts by the Institute of Directors to build a register of NEDs, it was clear that the Bank was the only possible lead organisation, and in March 1980 the Bank was planning to 'appoint a person whose sole responsibility would be the stimulation and facilitation of the appointment of non-executive directors'.[105] The Governor then sought sponsorship of the Bank's initiative from the committees of clearing bankers and accepting bankers.[106]

In May 1980, the Bank was preparing to set up the NED body. The Governor told the Secretary of State that he was grateful that the Secretary recognised the need to increase numbers of NEDs, but remained 'opposed to the idea of statutory non-executive directors and to the ideas put forward by Mr Brandon Rhys-Williams'. The Governor reported that the Bank was setting up a body and 'had arranged a supply of the right kind of people and big companies were increasingly willing to release senior executives… The need was now to get the demand side right, particularly amongst middle sized and smaller companies'.[107] In the end PRO NED was set up in February 1982, with the Bank of England among its sponsors and Jonathan Charkham, seconded from the Public Appointments Unit of the Civil Service, as its Director. Its aim was to 'improve the number and quality of non-executive directors on the boards of industrial companies'.[108]

Charkham then engaged in an intensive process of recruiting NEDs. Three months after PRO NED was founded, Charkham had already visited 50 companies and envisaged working his way 'systematically' through 'literally hundreds more'.[109] Charkham continued to highlight the importance of quality, noting that audit committees were only as good as the NEDs on them, and floating the idea of appointments committees for NEDs, subject to shareholder approval and (again) the importance of separating chairman and chief executive.[110] By November 1982 PRO NED had identified about 600 candidates.[111] The Bank paid a great deal of attention to how its initiative appeared in the media and to promoting it in public. A 1983 Observer article highlighted the efforts Charkham made to personally vet candidates, noting that before PRO NED the process of filling NED seats was 'much more haphazard'.[112] It quoted the chairman of Glaxo, that NEDs are 'no longer guinea pigs who dance for pay to the tune of the chairman'; instead they were vetted by Charkham who had been 'winkled out of the civil service where he ran the list of the Great and the Good which supplies bodies for public service and nationalised industry posts'. In a draft article for 600 magazine, Charkham highlighted how NEDs could prevent drift by getting a grip on key ratios, something which full-time management often failed to do. The problem of 'drift' was also highlighted in speeches given by Benson in January 1983

and by David Walker in Newcastle in June 1983, which emphasised the 'major contribution' that NEDs could make.

In October 1985 Charkham moved on from PRO NED to become chief advisor to the Bank, and in June 1986, Walker wrote to Cadbury, who had taken over as Chair of PRO NED, highlighting that he was still not happy with the composition of company boards, and discussing legislation or listing requirements because 'shareholders generally have for some time not regarded the exercise of their powers to elect company boards as a serious responsibility'.[113] Charkham too repeatedly expressed dissatisfaction, lamenting that 'In no other leading Western competitor does executive management operate with such limited accountability'.[114] When Walker proposed various formal measures to increase NED appointments, lamenting that, 'as a way of replacing a handful of people at the top', takeovers 'can be expensive, damaging and unnecessary',[115] Charkham asked 'how can the quality of NEDs be assured? What will there be to stop companies packing boards with sycophants?'[116]

More efforts were made to use persuasion. The PRO NED Code of 1987 referred to making boards more effective with both 'able Executive Directors and strong, independent Non-Executive Directors', with independence more likely to be assured: where NEDs are not employed by company in executive capacity in previous five years, not retained as a professional adviser and not a significant customer or supplier to the company; larger quoted companies should have at least three independent NEDs, and (including the chairman, if independent), comprising about one third of the board.

Whilst the Bank's renewed efforts throughout the 1980s to ensure that the 'right kind of people' were appointed as NEDs bore fruit in terms of the numbers, corporate scandals continued. Polly Peck and Mirror Group Newspapers, companies that collapsed shortly before Cadbury reported, also had NEDs on their board, and those NEDs looked exactly like the type of people (and may indeed have been the very people) that the Bank had been encouraging companies to appoint. From this point, the path to the Cadbury Report, which recommended that a majority of NEDs should be independent of management,[117] was clear. In large part, its contents had been under discussion in the Bank for years.

5. Conclusion

This article has shown that the Bank of England played a key role in shaping corporate governance from the beginning of the 1970s. This is important because the blueprint the Bank laid down formed the basis for the 1992 Cadbury Report, and, from there, for the UK Corporate Governance Code, the Stewardship Code and for many similar codes around the world. Yet its contents were highly path dependent, and could have been different if those individuals had had a different worldview, or if the wider political context had been different.

There is no doubt that there were deep-seated problems in large UK companies at the beginning of the 1970s, when the UK's accession to the European Economic Community was imminent. The question was where responsibility lay and what could and should be done. We have seen that, at various points, the Bank worked to head off the threat of Parliamentary intervention in relation to NEDs, and that the Bank drew on its connections with financial institutions in the City of London as it tried to push its agenda. The Bank was used to rallying the institutions to action in the name of 'self-regulation' (Moran, 1981; Rider, 1978)). It had done so a few years earlier in establishing the City Panel and City Code on Takeovers and Mergers (Johnston, 2007), and so extending its influence to other aspects of

corporate governance doubtless seemed a legitimate and logical step. Whilst the Bank's influence during these years can still be felt today, it is worth noting that its efforts here mark one of the very last examples of the Bank engaging in 'esoteric politics' (Moran, 1984): the club approach to banking regulation was gradually replaced by more formal regulation (Schenk, 2014), as the UK joined the EEC (Drach, 2020) and as the Bank became a regulator with full time staff and greater autonomy from the City (Moran, 1990, pp. 67–68, 77). Even corporate governance became soft law once it was embedded in the Cadbury Report and endorsed by the Stock Exchange.

As for the policy choices that the Bank made, there was little enthusiasm for the possible alternatives. The Governor of the Bank of England thought managers had become 'autonomous and unaccountable' whilst 'the Trades Union influence was, if anything, perverse'.[118] There was no support for employee representation on boards, and even alarm about the EEC's proposals, whilst the prospect of more nationalisations of failing companies was also a strong concern.

Given this context, it is probably not surprising that shareholders were viewed as one of the primary solutions to the problem. First, with the recent demise of the IRC regretted by many in the Bank, shareholders would have appeared as the only group left who could push for restructuring where it was necessary. Second, in promoting greater engagement on the part of institutional investors, the Bank was not only able to head off concerns about political interference from Parliament, but also address concerns that institutional investors were becoming irrelevant, and the related danger that the Bank might lose control and influence as it passed elsewhere. Third, the idea of shareholders as owners had a performative influence, with key individuals in the Bank, as we saw, making great efforts to keep the issue of institutional investor engagement on the agenda, even in the face of apparent disinterest on the part of the investors themselves. These individuals were driven by a vision of putting shareholders back in control of management. Opponents of the managerialist ideology had long sought to turn back the clock and put the owners in charge once more. For example, this motivated the Cohen Committee's 1945 recommendations that shareholder rights over board composition needed to be stronger, regardless of the terms on which a company's shares had been issued (Johnston et al., 2019). This idea that the 'proprietorial gap' needed to be reduced as far as possible maintained a firm grip well into the 1980s. For example, Walker wrote to the Governor in 1983, highlighting the importance of 'developments in the relationships between business and their proprietors, and the way the latter exert influence'.[119]

Similarly, the idea that NEDs could improve the quality of management was very much 'in the air' at the beginning of the 1970s, and, given its concerns about more nationalisations, the Bank became an early and influential supporter of the idea. The Bank then made extraordinary efforts both to promote the idea and to avoid its formalisation in law, relying on its judgement to identify 'the right kind of people'. When company scandals emerged, even in companies that had NEDs, the Bank doubled down on its belief that this was a problem of quality rather than of design. In August 1983, Charkham highlighted to Walker that 'The UK's problem for the 80's is not Industrial Relations but the competence of company boards'.[120] Shortly afterwards, the European Commission backed down on plans to mandate employee representation on boards, and accepted that in principle that NEDs could perform an oversight role equivalent to the supervisory board in two-tier systems.[121] Since then, the NED has gone from strength to strength as a corporate governance institution, being adopted around the world by countries with dispersed and concentrated shareholders alike.

This prehistory highlights the path-dependency of all these developments. They were not inevitable, particularly at a time of great contestation around the role of managers, employees and shareholders in corporate decision-making. It also shows that the institutions of UK corporate governance are not the outcome of market forces. This is important because, as mainstream corporate governance debates have moved away from the (legally incorrect) idea that shareholders are owners, they have embraced the neoclassical economic ideology that the company is merely a nexus of contracts in order 'to defend and legitimate the rights and privileges of rentier shareholders' (Ireland, 2001, pp. 144–145). Hence the 'commonly-held contractarian view of the board as an endogenous and market-driven institution' (Moore, 2013, p. 137), for example. Yet, as a historical matter, the institutions of UK corporate governance cannot be justified on the basis that they were selected by private actors. As we have seen, for the most part, even when encouraged by the Bank, institutional shareholders showed little interest in engagement, and they had limited enthusiasm for the Bank's efforts to turn the board into a monitoring body. Instead, this blueprint survived through the early years and then gradually thrived in large part because of the efforts to promote it by a handful of individuals at the Bank of England.

Finally, writing to the Governor in 1983, Walker noted the 'concentricity of these concerns with what the Americans call "corporate governance" with our own efforts to try to promote more effective involvement'.[122] As this article has shown, the Bank had already been developing its own model of corporate governance for over decade. In some respects, American ideas had served as an inspiration. The Bank was certainly aware of the growing use of NEDs and audit committees in the US, but, as we have seen, there were other, more local influences too, as the Bank committed to the policy of promoting NEDs in 1971. As regards institutional investor engagement, the UK led the way, acting long before the US and ultimately exporting the 'stewardship' model around the world after 2008, decades after it had first been discussed and attempted domestically. The fact that the label 'corporate governance' was only attached to this model when it was finally codified in the Cadbury Report should not blind us to the Bank's foundational work in developing and implementing this policy agenda.

Fifty years on from the beginning of this history, corporate governance both in the UK and around the world looks very much like the Bank's blueprint from the early 1970s. Whether it persists for another fifty years remains to be seen.

Notes

1. Adrian Cadbury, *Report of the Committee on the Financial Aspects of Corporate Governance* (1992, London: Gee & Co) ('Cadbury Report').
2. Adrian Cadbury memo to Governor, undated but probably November 1971, 7A19/2/45.
3. See notes 83 and 89 below and accompanying text.
4. The following files (including all sub files) in the BoE archives were examined: 6A395/3 - COMMITTEE OF TREASURY FILES: PRO NED (PROMOTION OF NON-EXECUTIVE DIRECTORS); 6A334 - NON EXECUTIVE DIRECTORS: NOT OTHERWISE CLASSIFIED (NOC); 7A19 - CHIEF CASHIER'S POLICY FILES: CITY INITIATIVE WORKING PARTY (on NEDs); 17A61 - NON-EXECUTIVE DIRECTORS: NOC.
5. The following files at the University of Warwick MRC relating to the Watkinson Committee were examined: MSS.200/C/3/COM/2/1 to MSS.200/C/3/COM/2/12.
6. House of Commons Treasury Committee, *Accountability of the Bank of England*, Twenty-first Report of Session 2010–12, HC 874 (published on 8 November 2011), para 15.

7. First Report from the Select Committee on Nationalised Industries, *Report, Minutes of Evidence and Appendices, Session 1969-70, Bank of England*, 5th May 1970, paragraph 83.
8. Rolls Royce Limited, Debate of 9th November 1970 (Hansard, Volume 806, Column 15) https://hansard.parliament.uk/commons/1970-11-09/debates/25758ef5-2391-47dd-b4fd-c995dc331e10/Rolls-RoyceLimited
9. 'The Bank of England and the Finance of Industry: Luce's note of 30th November', from JSFf [JS Fforde), 7.12.70, 7A19/1.
10. Memo from Governor, 10.12.70, 7A19/1.
11. Bank of England, *Annual Report 1972* 25 – 26.
12. 'John Page', *The Times*, 11th February 2005.
13. Draft memo, December 1970 from JBP [John Page], 7A19/1/21.
14. The Finance of Industry, Draft Memo 7.1.71, 7A19/1/23; Douglas Allen suggested to the governor that he remove any reference to the IRC, owing to 'ministers extreme sensitivity'; the Governor suggested discussing with HCBM' (Sir Humphrey Mynors, who had been Deputy Governor of the Bank from 1954-64 and was Chairman of the Finance Corporation for Industry Ltd).
15. The Finance of Industry, Draft Memo 1.3.71, 7A19/1/41.
16. The Finance of Industry, Draft Memo 1.3.71, 7A19/1/41.
17. See note 14.
18. Governor's Note, 25th March 1971, 7A19/1/54.
19. BoE Memo of 14.5.71, 7A19/1/79. One possible influence on the Bank's approach was a memo from Barry Barker of the Shipbuilding Industry Board, 7A19/1/64, which highlighted the prospect of investment institutions drawing on their authority and expertise (or that of others) to improve their investments through reviews of policies, revamping management or reconstruction of capital. John Fforde noted on 13th May 1971 that Barker's 'ideas and experience are very useful; and something of a counter-weight to the rather lukewarm views of the merchant banks.'
20. 7A19/1/79.
21. The next iteration of the memo was produced in November 1971, 7A19/2, and a version was circulated confidentially to Adrian Cadbury, 7A19/2 and City institutions, 7A19/3/29. Cadbury thought that the Finance Corporation for Industry should take the lead, but that there would have to be a 'change in the methods and outlook of the financial institutions', 7A19/2/45.
22. 7A19/1/79.
23. 'Court: 17th February 1972', 7A19/3/55.
24. 7A19/3/51.
25. 'Court: 17th February 1972', 7A19/3/55.
26. 7A19/4/28.
27. Brandon Rhys Williams, 'More Power to the Shareholder?' (1969) *Journal of Business Finance*, 7A19/2.
28. Draft proposals by the Association of Investment Trust Companies for a 'Working Party on Industrial Management and the Institutional Investor', 21.8.72.
29. Letter from Chairman of the Stock Exchange to the Governor, 7A19/3/42.
30. Governor's Meeting with Insurance Company Chairmen and General Managers, October 16th 1972, 7A19/5/52.
31. Dated 26.2.73, 7A19/6/23.
32. Memo on ISC, 23.5.75, 7A19/7/64.
33. 'A place in the City where one can go and talk about one's problems' (memo by Fforde), 11.2.75, 7A19/7/62C.
34. Bank of England, 'Savings and investment: recent developments in financing arrangements' Quarterly Bulletin 1977 Q3, 317-8.
35. 17.6.75 (Fforde to Benson), 7A19/7/67 and 18.6.75 (Benson to Fforde), 7A19/7/68.
36. Bank of England, 'Savings and investment: recent developments in financing arrangements' Quarterly Bulletin 1977 Q3, 316.
37. 'A place in the City where one can go and talk about one's problems' (memo by Fforde), 11.2.75, 7A19/7/62C.

38. In its January 1978 review of the ISC, the Joint Standing Committee (JSC) of the sponsoring institutions affirmed its support for engagement: 'The [Joint Standing] Committee believes that contacts between institutional shareholders and the boards of companies should be increased to bridge the gulf which too often appears to separate them', 7A19/9.
39. In his memo to the Governor of 3.7.78, 7A19/9, Walker noted that ISC activity had been 'hitherto confined to emergency action in a limited range of problem cases' and 'The ISC at its inception was not intended to be as feeble as it has turned out to be'.
40. 3.7.78, 7A19/9.
41. Walker memo to the Governor, 'Institutional Investors & Company Management', 3.7.78, 7A19/9; Walker memo to Fforde, 'Issues in the Institutional Investment Field', 12.10.78, 7A19/9.
42. Walker memo, 3.7.78, 7A19/9.
43. Ibid, p, 5.
44. Walker memo dated 12.10.78, 7A19/9.
45. DAW memo 26.10.78, 7A19/9.
46. Memo on 'The Role of the Institutional Investor' dated 25.9.79 ref IC/1, from Department of Industry, 6A334/1.
47. Walker memo to the Governor, 'Institutional Investors & Company Management', 3.7.78, 7A19/9, p. 7.
48. Report of the Committee to Review the Functioning of Financial Institutions, Cmnd. 7937, June 1980, Para 925. This contrasts sharply with the views expressed by Walker within the Bank.
49. See ISC, 'The Institutional Shareholders' Committee', 24th June 1991 available from the Cadbury archive: http://cadbury.cjbs.archios.info/_media/files/CAD-01221.pdf.
50. After his work with PRO NED from 1982, discussed below, Charkham had been appointed a Chief Adviser to the Bank in 1985, working with David Walker.
51. Cadbury Report, paras 6.9- 6.11.
52. 'Industrial Management and the Institutional Investor', 14.5.71, 7A19/1/79.
53. Ibid. Both the BIM in 1969 and the CBI in early 1970 had expressed support for board reform: BIM Board Room Discussion Meetings at Dunlop, 6th and 11th November 1969; 'The composition of a Board and the role of non-executive director in relation to the Chairman and executive directors' (COM 2/4); CBI Memo from C Adamson to H Gray, 3rd March 1970 (MS.200/C/3/COM2/1).
54. A much less well known management consultancy, Morton and Associates, was in regular contact with the Bank of England, urging the appointment of more NEDs, the aim being 'to re-establish the owners – share-holders – rights, in the management of their assets… The task of NEDs would be to improve company profitability, on a long term basis, by better applied management techniques'. See Memo from CP Morton of Morton and Associates, 5.6.72, 7A19/4/109.
55. Bank of England, Report for the year ended 28th February 1969, at 47; Bank of England, Report for the year ended 28th February 1970, at 39-40.
56. A Thorncroft, 'McKinsey from the inside', Financial Times, 28th January 1971 wrote that this volume 'lays open the McKinsey philosophy… Expertise drips from every contribution.' Parker's views were regularly discussed in the Financial Times and so could also have been familiar to senior figures within the Bank: see e.g. D Palmer, 'The Future of the Board', Financial Times, 15th December 1970; letter from Parker to the editor, Financial Times, 29th December 1970.
57. In contrast Christopher Dow, Chief Economist of the Bank from 1973-84, is scathing about the governing body of the Bank, terming it 'an absurdity bordering on the scandalous that the governing body of the Bank… is very largely a ritual': Hacche and Taylor (2013).
58. 7A19/2, p.2.
59. E.g. The Times, 29.12.69; The Times, 20.4.70; The Times 7.12.70.
60. The speech was given at Oxford Department of Engineering Science on 14th May 1971, 7A19/1/82.
61. Villiers wrote to O'Brien on 14th May 1971, 7A19/1/81, that he had been very kind about the speech which Villiers was about to give, adding 'As you know, I have had a lot of support for these ideas and I am glad to think that they also commend themselves to yourself'. Villiers enclosed an advance copy of the speech, 7A19/1/82.
62. Fforde memo, 13th May 1971, 7A19/1.

63. Governor's Note, 22nd July 1971, 7A19/1/119. At the invitation of Lord Shawcross and Sir Reay Geddes, the Governor met with Sir Ronald Leach [in 1970 Chairman of the Accounting Standards Steering Committee], Sir Henry Benson [of Coopers, later Advisor to Governor], Eric Faulkner [Chairman Lloyds Bank], Kenneth Barrington [Director Morgan Grenfell], Kenneth Usherwood [Chairman Prudential] and WS Wareham [of the City Panel on Takeovers].
64. Memo, 'The Secretary of State's Meeting with the Governor of the Bank of England', Meeting at 1 Victoria St, 28th July 1971, 7A19/1/124.
65. Fforde memo, 10.8.71, 7A19/1.
66. Mace, Chapter Two; Mace's account and the monitoring role of US boards was featured in The Times on 20th April 1970.
67. See Rhys Williams at HC Deb 14 April 1972 vol 834 cc1647-65 at 1648.
68. For the first attempt, see 'A bill to require certain companies to appoint non-executive directors; to require such directors jointly to present independent annual reports to the shareholders; and for purposes connected therewith.' 20th Century House of Commons Sessional Papers, 1971-72, Vol.I, p. 385.
69. Letter from Rhys Williams to Fforde, 27.4.72, 7A19/4/50; memo from Fforde to Governors on meeting with Rhys Williams, 27.4.72, 7A19/4/60.
70. See *The Financial Collapse of the Penn Central Company*, Staff Report of the Securities and Exchange Commission to the Special Subcommittee on Investigations, August 1972 at XII. Penn Central had a board of 25 directors, including outside directors.
71. G. Bradford Cook, 'The Director's Dilemma', *Address to SMU School of Business Administration*, 6 April 1973, at 3 and 14 available online at https://www.sec.gov/news/speech/1973/040673cook.pdf.
72. In debate in the House of Commons, Sir H d'Avigdor Goldsmid said 'As time has gone on I do not think that the independent directors of Rolls-Royce have served the company or the country very well. They should have been in the position of the small boy who pointed out that the emperor had no clothes on. That was what they were appointed to the board for.' HC Deb 08 February 1971 vol 811 cc41-108 at 91 (https://api.parliament.uk/historic-hansard/commons/1971/feb/08/rolls-royce-limited#column_91) .
73. Research conducted for the Bullock Committee of the largest industrial companies listed in The Times 1,000 1975-76 found that nearly 25% had no NEDs, while nearly 10% had more than five, the majority therefore having between one and five: see. By 1979 the Bank concluded that the use of NEDs had become much more widespread, with only 12% having none. This change reflected the Bank's activities behind the scenes, discussed in this section. See Bank of England, 'Composition of Company Boards' (1979) Q4 *Quarterly Bulletin* 392-3.
74. The Government refused to back Rhys Williams' private member's bills, partly on the basis that they risked dividing the board, and partly on the basis that it would be 'premature' to legislate on this issue pending the report of the Confederation of British Industry's (CBI) recently established Committee on Company Affairs. See Peter Emery, Under-Secretary of State for Trade and Industry HC Deb 14 April 1972 vol 834 cc1647-65 at 1660 and 1661.
75. 'Non-executive Directors on Industrial Boards', Memo to Governors from Fforde, 27.4.72, 7A19/4/60.
76. 'Initiatives, Agencies and Committees', Memo from Fforde to Governors, 7A19/3/7, emphasis in original.
77. 7A19/3/8.
78. 'Initiative (State of Play)' by Fforde, 7A19/3/59.
79. For example, 'Administration and Management of Business Enterprises: Note by Sir Henry Benson' dated 8/9/71, was drafted by Benson following a dinner organised by the Governor to discuss the 'initiative', 7A19/1/124 and was provided to Watkinson at the beginning of the process (MS.200/C/3/COM2/1). For further discussion of the influences on Watkinson's report, see Johnston (2024).
80. 7A19/5/110.
81. See Peter Emery, Under-Secretary of State for Trade and Industry HC Deb 14 April 1972 vol 834 cc1647-65 at 1660 and 1661.

82. 'Non-executive Directors on Industrial Boards', Memo to Governors 27.4.72 by Fforde, 7A19/4/60. Fforde informed the governors that the Bank 'could not be regarded as outright supporters of the Bill. The most we could say was that it would not hinder the successful working out of the Governor's initiative and might indeed help', 7A19/105.
83. 7A19/6/14.
84. Luce memo 21.3.73, 7A19/6/28 and 7A19/6/31.
85. Fforde memo 12.3.73, 7A19/6/24A.
86. Fforde memo 16.3.73, 7A19/6/25A.
87. CBI, *A new look at the responsibilities of the British public company* (1973).
88. Para 2.49.
89. Paras 2.59-2.64, arguing that the two tier board weakens accountability and is not needed to represent 'special interests' such as employees.
90. 7A19/6/36.
91. 'Review of the Role of the Institutional Shareholders' Committee', 17.1.78, 7A19/9 ISC.
92. Memo from Fforde to Benson, 7A19/7/67.
93. Memo from Benson to Fforde 18.6.75, 7A19/7/67.
94. 'Institutional Investors and Company Management', 21.6.78, 7A19/9. This was the month that audit committees were made mandatory by the NYSE.
95. 1.2.79, 6A334/1.
96. 5.2.79 JC Tolhurst memo 'Non-Executive Directors', 6A331/1.
97. 5.2.79 memo Walker to Governor 'NEDs and Audit Committees'.
98. 28.2.79 Chairman of NAPF letter to DTI. This emphasis on 'calibre' made its way into the Cadbury Report, para 4.10 (noting that 'The Committee believes that the calibre of the non-executive members of the board is of special importance').
99. Draft memo, 'A Central Register for NEDs', 20.8.79, 6A334/1.
100. Memo from Walker to Cooke, 22.8.79, 6A334/1.
101. Department of Industry note on 'Greater use of non-executive directors', 27.9.79, 6A334/1.
102. Walker memo 'The Initiative on NEDs', 26.10.79, 6A334/2.
103. Benson memo, 'Non-Executive Directors: Points for Discussion', 1.11.79, 6A334/2.
104. 'NEDs', note of HAB and DAW meeting with Methven of CBI and Goodison of the Stock Exchange, 13.11.79, 6A334/2.
105. CBI draft confidential memo to those participating in discussion between BoE, CBI, Stock Exchange and ISC 'Non-Executive Directors' (G 136 80, by DWB/JN, 19th March 1980), 6A334/2.
106. Letter from Governor to Jeremy Morse, chairman of Committee of London Clearing Bankers, 16.4.80, 6A334/2.
107. Note of meeting of Governor with Secretary of State, 9.5.80, 6A334/2.
108. 'Pro Ned', Notice to the Staff, 11.2.82, 17A61/3.
109. Charkham letter to Lord Benson, 4.5.82, 17A61/3.
110. Jonathan Charkham, 'Management and Direction of Companies: Some Structural Changes' unpublished paper November 1982, 17A61/3.
111. PRO NED Director's Report, September to November 1982, 16.11.82.
112. Christine Moir, 'Professional "Good Chaps"', *The Observer*, 23.1.83, 3A161/204.
113. Letter Walker to Cadbury, 2.6.86, 17A61/10.
114. 4.6.86 Memo Charkham to Walker, 17A61/10.
115. Walker memo, 'Composition of Boards: A Need for Initiative', 25.6.86, 17A61/10.
116. Memo from Charkham to Walker, 'US companies', 25.6.86, 17A61/10.
117. Cadbury Report, paragraph 4.12.
118. 'The Governor's Meeting with Insurance Company Chairmen and General Managers on Monday, October 16th', 17.10.72, 7A19/5/52, p3.
119. Walker memo to Governor, 10.8.83, 17A61/5.
120. Letter Charkham to Walker on EEC approach and UK aims, 2.8.83, 17A61/5.
121. The European Commission's revised proposal accepted that NEDs 'confine themselves to supervision' and so Member States would be permitted to retain their one-tier board systems, provided they had more NEDs than executives. Moreover, Member States were offered a choice

of different forms of employee participation, including NED appointment, participation in a representative body or a collectively bargained solution: see Amended Proposal of 19th August 1983 (OJ C 240/2, 9.9.83).

122. Walker memo to Governor, 10.8.83, 17A61/5.

Acknowledgements

I am grateful to the staff at the Bank of England archives and at the University of Warwick Modern Records Centre for their help and support before and during my visit; to Vicky Barnes, Robert Burrell, David Gindis, Jonny Hardman, Neil Rollings and Jie Zeng for helpful comments and discussion; to participants at the SLS conference in York on 11th–12th November 2022 and at the WINIR conference in Catania on 20th–23rd September 2023 for helpful discussion; and to the three anonymous referees and the editors for detailed and constructive feedback. All errors remain my own.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Notes on contributors

Andrew Johnston is a professor at the University of Warwick School of Law. His research covers company law and corporate governance in the UK, EU and beyond, with particular emphasis on sustainability. Recent work has examined the history of management, informal finance in China, independent directors in Japan and shareholder stewardship.

References

Birkett, B. S. (1986). The recent history of corporate audit committees. *Accounting Historians Journal*, *13*(2), 109–124. https://doi.org/10.2308/0148-4184.13.2.109

Botzem, S. (2014). Transnational standard setting in accounting. *Accounting, Auditing & Accountability Journal*, *27*(6), 933–955. https://doi.org/10.1108/AAAJ-04-2013-1301

Bowden, S. (2002). Ownership responsibilities and corporate governance: The crisis at Rolls Royce, 1968-71. *Business History*, *44*(3), 31–62. https://doi.org/10.1080/713999276

Bowden, S., & Gamble, A. (2021). Corporate governance and public policy: "New" initiatives by "old" labour to reform stakeholder behaviour in the UK, 1965-1969. In J. F. Wilson, I. Jones, & S. Toms (Eds.), *The role of governments in markets: Interventions and unexpected consequences in industrial history*.Routledge.((2002)5(1)JournalofIndustrialHistory).https://doi.org/10.4324/9780429399800

Bratton, W. W. (1989). The new economic theory of the firm: Critical perspectives from history. *Stanford Law Review*, *41*(6), 1471–1527. https://doi.org/10.2307/1228806

Cadbury, A. (1990). *The company chairman*. Director Books.

Capie, F. (2010). *The Bank of England: 1950s to 1979*. Cambridge University Press. https://doi.org/10.1017/CBO9780511761478

Charkham, J. (1989). *Corporate governance and the market for companies: Aspects of the shareholders' role*. Bank of England Discussion Paper No. 44.

Cheffins, B. R. (2008). *Corporate ownership and control: British business transformed*. Oxford University Press. https://doi.org/10.1093/acprof:Oso/9780199236978.001.0001

Cheffins, B. R. (2015). The rise of corporate governance in the UK: When and why. *Current Legal Problems*, *68*(1), 387–429. https://doi.org/10.1093/clp/cuv006

Cuomo, F., Mallin, C., & Zattoni, A. (2016). Corporate governance codes: A review and research agenda: Corporate governance codes. *Corporate Governance: An International Review*, *24*(3), 222–241. https://doi.org/10.1111/corg.12148

Decker, S., Kipping, M., & Wadhwani, R. D. (2015). New business histories! Plurality in business history research methods. *Business History*, *57*(1), 30–40. https://doi.org/10.1080/00076791.2014.977870

Dobbins, R., & McRae, T. W. (1975). Institutional shareholders and corporate management. *Management Decision*, *13*(6), 373–408. https://doi.org/10.1108/eb001090

Drach, A. (2020). From gentlemanly capitalism to lobbying capitalism: The City and the EEC, 1972–1992. *Financial History Review*, *27*(3), 376–396. https://doi.org/10.1017/S0968565020000207

Fforde, J. (1992). *The Bank of England and public policy, 1941-1958*. Cambridge University Press.

Gordon, J. N. (2007). The rise of independent directors in the United States, 1950-2005: Of shareholder value and stock market prices. *Stanford Law Review*, *59*(6), 1465–1568. https://go.exlibris.link/557VdYyq

Gourvish, T. R. (1987). British business and the transition to a corporate economy: Entrepreneurship and management structures. *Business History*, *29*(4), 18–45. https://doi.org/10.1080/00076798700000079

Hacche, G., & Taylor, C. (2013). *Inside the Bank of England: Memoirs of Christopher Dow, chief economist, 1973-84*. Palgrave Macmillan.

Hannah, L. (1986). *Inventing retirement: The develop of occupational pensions in Britain*. Cambridge University Press.

Herman, E. S. (1982). *Corporate control, corporate power*. Cambridge University Press.

Holmes, M. (1997). *The failure of the Heath government*. Palgrave Macmillan. https://doi.org/10.1057/9780230376113

Johnston, A. (2007). Takeover regulation: Historical and theoretical perspectives on the city code. *The Cambridge Law Journal*, *66*(2), 422–460. https://doi.org/10.1017/S0008197307000591

Johnston, A. (2024). From managerialism to shareholder primacy: The role of the Cohen Committee and the Bank of England. In V. Barnes & J. Hardman (Eds.), *The origins of company law: Methods and Approaches*. Hart, forthcoming..

Johnston, A., & Segrestin, B. (2021). Lost from view: The legal invisibility of managers in the UK. In K. Sogner & A. Colli (Eds.), *The emergence of corporate governance: People, power and performance*. Routledge.

Johnston, A., Segrestin, B., & Hatchuel, A. (2019). From balanced enterprise to hostile takeover: How the law forgot about management. *Legal Studies*,), *39*(1), 75–97. https://doi.org/10.1017/lst.2018.32

Johnston, A. S. (1980). *The city take-over code*. Oxford University Press.

Keynes, J. M. (1926). The end of laissez-faire. In *Essays in persuasion* (pp. 272–294). Springer.

Lees, D., & Footman, J. (2014). The court of the Bank of England. *Bank of England Quarterly Bulletin(Q1)*, *54*(1), 28–35.

Mace, M. (1971). *Directors: Myth and reality*. Harvard Business School Publications.

Maclean, M. (1999). Corporate governance in France and the UK: Long-term perspectives on contemporary institutional arrangements. *Business History*, *41*(1), 88–116. https://doi.org/10.1080/00076799900000203

McKenna, C. (2006). *The world's newest profession: Management consulting in the twentieth century*. Cambridge University Press.

Moore, M. (2013). *Corporate governance in the shadow of the state*. Hart. https://doi.org/10.5040/9781472561305

Moran, M. (1981). Finance capital and pressure-group politics in Britain. *British Journal of Political Science*, *11*(4), 381–404. https://doi.org/10.1017/S0007123400002714

Moran, M. (1984). *The politics of banking: The strange case of competition and credit control*. Macmillan. https://doi.org/10.1007/978-1-349-04512-9

Moran, M. (1990). *The politics of the financial services revolution: The USA, UK and Japan*. Palgrave Macmillan. https://doi.org/10.1057/9780230377899

Nordberg, D. (2020). *The Cadbury code and recurrent crisis: A model for corporate governance?*. Palgrave Macmillan. https://doi.org/10.1007/978-3-030-55222-0

Parker, H. (1970). Managing the managers: The role of the board. In R. Mann (Ed.), *The arts of top management: A McKinsey anthology*. McGraw-Hill.

Parkinson, J. (2000). Evolution and policy in company law: The non-executive director. In A. Gamble, J. Parkinson, & G. Kelly (Eds.), *The political economy of the company*. Hart. https://doi.org/10.5040/9781472559067

Pass, C. (1971). The industrial reorganisation corporation—A positive approach to the structure of industry. *Long Range Planning*, *4*(1), 63–70. https://doi.org/10.1016/0024-6301(71)90053-7

Rider, B. A. K. (1978). Self-regulation: The British approach to policing conduct in the securities business, with particular reference to the role of the city panel on takeovers and mergers in the regulation of insider trading. *Journal of Comparative Corporate Law and Securities Regulation*, *1*(4), 319–348. https://go.exlibris.link/S5X23WyN

Roy, W. G. (1999). *Socializing capital: The rise of the large industrial corporation in America*. Princeton University Press.

Samuel, H. (1933). *Shareholders' money* (1982 Garland reprint ed.). Pitman.

Schenk, C. R. (2014). Summer in the city: Banking failures of 1974 and the development of international banking supervision. *The English Historical Review*, *129*(540), 1129–1156. https://doi.org/10.1093/ehr/ceu261

Spira, L. F., & Slinn, J. (2013). *The Cadbury committee: A history*. Oxford University Press. https://doi.org/10.1093/acprof:Oso/9780199592197.001.0001

Tomlinson, J. I. M. (2004). The Labour Party and the Capitalist Firm, c. 1950–1970. *The Historical Journal*, *47*(3), 685–708. https://doi.org/10.1017/S0018246X04003917

Veldman, J., & Willmott, H. (2020). Performativity and convergence in comparative corporate governance. *Competition & Change*, *24*(5), 408–428. https://doi.org/10.1177/1024529419857382

Veldman, J., & Willmott, H. (2022). Social ontology of the modern corporation: Its role in understanding organizations. In R. Meyer, S. Leixnering, & J. Veldman (Eds.), *The corporation: Rethinking the iconic form of business organization* (pp. 165–189). Emerald Publishing Limited.