The 1866 Crisis and The Role of Economic and Financial Experts: A Study in The Development of Monetary and Banking Policy Advising in Times of Financial Crisis

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Abstract
The failure of the London bank Overend, Gurney & Co. in 1866 triggered a domestic and international financial crisis. The then private Bank of England chose not to bail out Overend but mitigated the ensuing panic. The management of the bank's collapse and its aftermath challenged the monetary and banking landscape, giving rise to public and expert debates on policies and regulations about the lender of last resort policy and the monetary policy clash between the Banking School and Currency School. This project's aim is threefold: (1) to provide a historical perspective on the organisation and use of economic experts in the ruling of monetary policy and financial regulation; (2) to study the impact of financial crises in such processes; (3) to examine the roles of the British State and the Bank of England regarding economic policy advising and decision-making processes. To this end, published and archival primary source material related to the crisis (e.g. minutes, reports, correspondence, publications) and selected actors (i.e. the Bank of England, Treasury, economic policy advisors) is analysed and discussed in the context of the topic's historiography. The findings reveal that due to the controversy, urgency, and uncertainty of this crisis, the specialised knowledge of institutional authorities was questioned. This accelerated the public and institutional legitimation of external economic experts as direct and indirect sources of policy advising. It also drove the Bank of England and the State to reconsider the use and value of commissioned and external expert advising on monetary and banking policies.

Keywords: 1866 Crisis; Bank of England; Expert; Monetary and Banking Policy; Policy Advising