Business Associations as Legitimacy-Seekers: the Case of the Committee of London Clearing Bankers

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Introduction

Whilst collusion in the British commercial banking industry in the mid-twentieth century may not have been as great as once was believed,[1] the London clearing banks[2] nonetheless formed a powerful oligopoly – albeit one that was losing market share to building societies and other types of financial institution which in some cases were more nimble and innovative. Until 1971, the London clearing banks operated an interest rate cartel with the tacit approval of the authorities. Control over the clearing mechanism, through which payments between banks were finalized and settled through accounts at the Bank of England, provided the clearers with a formidable moat. The clearers enjoyed a close relationship with the Bank of England. Ensconced in these comfortable arrangements, the clearing banks shunned advertising and neglected to explain their role in the economy to the public in the interwar years.[3] Yet little is known about their efforts to communicate with the public in the post-war decades. The standard history of advertising in post-war Britain is silent on advertising by banks between 1950 and 1980.[4] Our concern, however, is not with the advertising campaigns of individual clearing banks but rather with the efforts of the clearers as a group to project a favourable public image and to thwart external attacks on their legitimacy.

Public relations did not come naturally to the inherently conservative and cloistered members of the clearing bank fraternity – they feared any exposure to potential embarrassment. Nonetheless, as we demonstrate, the fledgling public relations steps taken in the two decades after the war by the English clearing banks'

[1] Capie and Billings, "Evidence on Competition."
[2] In the 1950s there were eleven London (i.e. English) clearing banks: Barclays, Lloyds, Midland, National Provincial, Westminster (the Big Five), Coutts, District, Glyn Mills, Martins, National, and Williams Deacon's. Sayers, *Modern Banking*, 315. By the early 1970s there were just six: Barclays, Lloyds, Midland, National Westminster (the Big Four), Coutts (a subsidiary of National Westminster), and Williams and Glyn's (a subsidiary of the Royal Bank of Scotland, a Scottish clearer). Scotland had its own clearing system and clearing banks.
[3] Newton, "Branding, Marketing,"; Scott and Newton, "Advertising, Promotion."
[4] Fletcher, *Powers of Persuasion*.

trade association – the Committee of London Clearing Bankers (CLCB) – provided valuable organizational lessons. The clearing banks learnt how to work together to influence public perceptions; they learnt when to use the new medium of television over traditional print media, and when to trust public relations agencies to represent them. These experiences, especially the channelling of public relations through the associational medium of the CLCB itself, stood the clearing banks in good stead in the 1970s when they faced a serious challenge to their legitimacy from elements within the Labour Party who proposed the nationalization of swathes of the banking industry.

Our paper is structured as follows. First, we examine some conceptual issues relating to the CLCB as a business association, focusing in particular on the question of legitimacy. Secondly, we chart the development of collective advertising and public relations work by the clearing banks between 1942 and 1970, showing how the CLCB developed an organizational framework for managing these activities. Thirdly, we explain how the organizational capabilities of the CLCB were put to use during the mid-1970s when the clearing banks were threatened by nationalization proposals emanating from the Labour left.

Business Associations as Legitimacy Seekers

In the twentieth century the British banking industry was not short of representational bodies. Established in 1821 to supervise the London Clearing House, the CLCB was relatively tight-knit with eleven members in the 1950s. The Scottish clearing banks had a parallel organization, the Committee of Scottish Clearing Bankers (CSCB). The British Bankers Association (BBA), founded in 1920, was a wider association of the English and Scottish clearing banks, overseas banks, and Commonwealth banks. To be successful, all such associations must elicit cooperation from members so as to avoid the Prisoners'

Dilemma. The challenge is to generate internal strength of sufficient intensity to minimize the perennial "problem of associability", as Franz Traxler puts it, which occurs when membership is voluntary.[5] Reviewing the academic literature, Simon Ville suggests that high member density, a function of an association's attractiveness to potential members, is the key determinant of internal strength.[6] Attractiveness, in turn, is conditioned by both an association's stock of social capital and the selective incentives it provides to members.[7]

On both counts, the CLCB scored highly. All of the English clearing banks were members. CLCB offered three main selective incentives that provided excludable member benefits. First, membership allowed clearing banks to participate in an interest rate cartel and other restrictive practices. From 1939 until 1971 the clearing banks set their deposit rates at a level two per cent under the Bank of England's official Bank Rate. Whenever the cartel wavered the Bank of England stepped in to warn the clearing banks not to break ranks. Agreement also extended to the rates offered to private sector borrowers. There were numerous other agreements between the clearing banks in such areas as fees and commissions, TV advertising, hours of business, the opening of branches in newly developed areas, and even the display of Christmas decorations. When compiling a list of agreements in 1971, CLCB officials could not be sure that they had remembered all of them because there were so many and no comprehensive records had been kept.[8] Secondly, the members of the CLCB were in practice also the shareholders in the Bankers' Clearing House (BCH) which owned and controlled the clearing system. Clearing houses operated in London and in regional centres. Cheques

[5] Traxler, "Theoretical and Methodological Framework," 15.
[6] Ville, "Rent seeking" 301.
[7] Reveley, "Reciprocity."
[8] "List Showing Areas of Collective Agreements or Arrangements Between the Clearing Banks", July 28 1971, and covering note by R.K.C Giddings, September 1 1971, CLC/B/029/MS32298, London Metropolitan Archives (hereafter LMA).

from customers of each clearing bank to those of other clearing banks were tallied (or "cleared"). Transfers were then made between the settlement balances of each clearing bank at the Bank of England. The clearing house system had no new entrants between 1936 and 1975; the latter date is when the Co-operative Bank and the Central Trustee Savings Bank were admitted.[9] Free-riding simply was not possible. Other financial institutions, such as building societies and merchant banks, had to conduct their money transference through the clearing banks rather than directly. By the same token, for CLCB members, leaving the committee was not a serious option because that could have meant leaving the clearing house,[10] imposing heavy costs on the departing bank. Thirdly, the CLCB represented the clearing banks in discussions with the Bank of England and therefore indirectly with the government.

As well as offering these excludable benefits, the CLCB was replete with social capital. Nearly all of the clearing banks had their headquarters in London. Their chairmen and directors were part of the national financial elite. Every quarter the clearing bank chairmen met with the Governor of the Bank of England. Correspondence from the 1950s demonstrates that, at that time, the chairmen of several of the biggest clearing banks were members of the House of Lords and knew each other well.[11] The clearing banks had similar cultures, and the CLCB's organizational activities reinforced member bonds. Each month the CLCB held a meeting, a venue for turn-taking gentlemanly discourse, which helped the association to accumulate "synthetic or organisational" social capital.[12]

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[9] Price Commission, *Banks*, 44, 47. But neither elected to join the CLCB or to seek shares in BCH.

[10] A vote of those controlling three-quarters of the shares of BCH could require a bank to sell its shares in the clearing house operator. "New Articles of Association of the Bankers' Clearing House Limited, as Amended on 7 March 1963", CLC/B/029/MS32028X. LMA.

[11] For example, Lord Balfour of Burleigh was chairman of Lloyds, and Lord Monckton of Brenchley was chairman of the Midland. The House of Lords was a congenial club.

[12] On this form of capital as an associational attribute, see Merrett et al., "Industry Associations," 785.

Such was the CLCB's social capital endowment, emanating from members' already-existing connections, that social capital substituted for internal bureaucratic controls. As a representative pointed out to the Office of Fair Trading in a document written in the mid-1970s, the CLCB never had a formal constitution or any formal rules.[13] This attests to the ease of organising a small, culturally homogeneous, social capital-laden group that for much of its existence was a state condoned price-setting oligopoly.

An internally strong and social capital-rich association, such as the CLCB, will be a more credible industry voice if external institutions and agencies – including governments – and the wider public, for that matter, regard it as being legitimate. With specific reference to associations, David Knoke defines legitimacy as "the acceptance by the general public and by relevant elite organizations of an association's right to exist and to pursue its affairs in its chosen manner."[14] David Deephouse and Mark Suchman usefully distinguish legitimacy from reputation. Whereas "reputation is rival and differentiating" and an attribute of individual firms or people; legitimacy is "non-rival and homogenizing" and "tends to attach to all entities that share a given form."[15] Legitimacy is elastic, a shareable social property.

Business historians have examined how trade and other types of business associations acquire legitimacy in their own right, as self-anointed industry representatives. Sometimes this status is achieved by dint of government warrant. As James Reveley explains, the New Zealand Shipowners' Federation, a coastal shipping association, received tacit government endorsement as it helped implement price

[13] "Memorandum on the Committee of London Clearing Banks," undated [1976], CLC/B/029/MS32034/002, LMA.
[14] Knoke, "Political economies," cited in Deephouse and Suchman, "Legitimacy," 51.
[15] Deephouse and Suchman, "Legitimacy," 61-2.

control policy during World War Two.[16] A variety of actors and interests can be drawn upon by associations seeking to legitimate their existence. Marc Schneiberg says that legal endorsement of American fire insurance associations stemmed from the cobbling together of "business interests, regulators and local government officials into a supporting coalition."[17] In the CLCB's case, its "institutional authorization" was derived after 1945 from members' connections with the Bank of England and their role in monetary policy.[18] From 1945 until the early 1970s monetary policy was conducted in part through "requests" from the Bank of England to the clearing banks. In effect, the CLCB was a *de facto* instrument of policy implementation.

Perhaps surprisingly, comparatively little work has been done on how an association's public relations initiatives can function to stave off challenges to the legitimacy of its members. Though her concern is not specifically with associations, Stephanie Decker investigates publicity strategies designed to enhance "corporate legitimacy".[19] Examining British companies (including banks) seeking cast off "their old imperial identity" in the African milieu, Decker concentrates on advertising campaigns by individual firms.[20] This author's point about firms using advertising to remould corporate identity is an important one; we return to it in our paper. By contrast with Decker, however, we are interested in *collective* public relations strategies refracted through the coordinating mechanism of the CLCB. It is the socio-political variant of corporate legitimacy that we address, for clearing banks were threatened in the 1970s with nationalization.[21] Simply put, the clearing banks experienced a politically induced

[16] Reveley, "Wartime Price Control".
[17] Schneiberg, "Political and Associational Conditions", 92.
[18] Schneiberg, "Political and Associational Conditions", 68.
[19] Decker, "Corporate Legitimacy".
[20] Decker, "Corporate Legitimacy," 63.
[21] On socio-political legitimacy, see Deephouse and Suchman, "Legitimacy," 52-3.

"legitimation crisis."[22] The right to exist of clearing banks as independent, profit-seeking entities was called into question by the left wing of the Labour Party. Our particular interest is how the CLCB used its public relations experience and know-how, accumulated in the two previous decades, in an effort to avert this crisis.

By publicizing the Labour left's policy proposals, the CLCB tapped into a rich vein of public opposition to nationalization. Ultimately the CLCB's publicity campaign forged a collective identity ("the banks", privately owned) in the eyes of the general public, thereby insulating members against the plots of the Labour left.

Associational Channelling of Clearing Banks' Public Relations

Just how the clearing banks came to be involved in public relations in the first place during the 1950s – a sedate and unthreatening time for the business of clearing banking – is an interesting question. As we explain in this section, early public relations forays were sparked as much by white collar trade union concerns about the prevalence of customer dissatisfaction with service levels, as they were by senior bankers' own concerns about the public image of clearing banks in an era of credit rationing. There was as yet no imminent external threat to the CLCB and its members.

The clearing banks were nannied by the Bank of England after 1945 and encouraged to accept a "public utility" role. Although their legitimacy was not challenged in the 1950s, they encountered a lingering undercurrent of customer dissatisfaction. It was against this backdrop that CLCB began to contemplate developing a strategy for the collaborative management of customer and public impressions of the banking industry. Obtaining agreement on a collective approach was not straightforward. The comparatively new medium of television tempted Midland to

[22] Originally applied at the level of a whole society, this term is from Habermas, *Legitimation Crisis*.

break ranks by putting out TV commercials. More generally, CLCB members were wary of letting control go, and "externalizing" their public relations activities by delegating them "to an outside [or collective] body" – the Banking Information Service (BIS).[23] In solving these problems, the CLCB gained experience in managing complex organizational relationships. It was instrumental, for example, in securing an agreement amongst clearing banks not to use television advertising individually.

Bankers were rather coy about admitting they were engaged in public relations. As late as 1957, the BBA told the Australian High Commission that neither it nor the CLCB was involved in public relations activities.[24] Yet the BIS, which operated under the umbrella of the CLCB, had been working in that area since 1942. At first the BIS represented just five of the English clearing banks: Barclays, the District, Glyn Mills, Lloyds, and Martins.[25] The BIS was then viewed with some suspicion by the top brass of the other clearers, especially the Midland, who feared that it might compromise or embarrass them by appearing to speak on their behalf. Gradually, however, the English and Scottish clearers came to accept and make use of the BIS. By the mid-1950s the BIS had been incorporated into the CLCB; it was staffed on a part-time basis by clearing bank representatives, assisted by two full-time clerical workers.[26]

The CLCB's efforts to coordinate the clearing banks' image management strategies began when several key members sought to give the BIS an expanded role in the early 1950s. The principal advocates were Lord Balfour of Burleigh, the chairman of Lloyds Bank, and A.W. Tuke, the chairman of Barclays. According to Balfour of Burleigh: "The objective of the Banking Information Service is to bring about through systematic

[23] The idea of firms' externalising activities is from Gospel, *Markets*, 9.
[24] Secretary of British Bankers Association to Australian High Commission, September 11 1957, CLC/B/029/MS32101A/001, LMA.
[25] 'Banks and the Press', *The Economist*, January 31 1942, 155; "Extract of Minutes of Meeting of CLCB on 9 July 1953," CLC/B/029/MS32105/001, LMA.
[26] "Note on Banking Information Service," August 13 1953, CLC/B/029/MS32105/001, LMA.

public relations work a better understanding of banks and banking." It had no intention of supplanting contacts between individual banks and the press. Its work covered general issues such as "lending rates, staff problems, banking practice, and general monetary topics". The BIS corrected misleading information in the press, and was contacted by journalists, other outside agencies, and members of the public seeking advice on technical or general economic issues. However the BIS could not give the press what it really wanted – news – because it did not yet represent the clearing banks as a whole except in Scotland.[27] If the banks did not take the initiative in moulding public opinion through an organization such as the BIS, they would remain "vulnerable" to criticism, and not only from the left. Balfour of Burleigh concluded that "far too many businessmen and private individuals are predisposed to accept hostile criticism of the banks at face value." The banking industry needed to put its own case to the country.[28]

After assurances were given that the BIS would not trespass on the affairs of individual banks, and that it would in future be supervised on a day to day basis by the CLCB in order to prevent any communication gaffs, the remaining banks – absent the Midland – joined in 1953.[29] Even the Midland was on board by the late 1950s. As an organization BIS had been transmuted from an offshoot of a subset of five clearing banks into an organ of the CLCB itself. A committee drawn from the BIS's sponsoring banks oversaw general strategy. In effect, the committee *was* the CLCB – the chairmen of the clearing banks (or their alternates) wearing different hats.

The reconstitution of the BIS in 1953 was accompanied by a search for a spokesman with some (but not too much) media experience. Several banks had

[27] "The Work of the Banking Information Service" by Lord Balfour of Burleigh, October 1952, CLC/B/029/MS32105/001, LMA.
[28] "The Case for a Representative Banking Information Service" by Lord Balfour of Burleigh, September 23 1952, CLC/B/029/MS32105/001, LMA.
[29] "Note on Banking Information Service," August 11 1953, CLC/B/029/MS32105/001, LMA.

misgivings about the appointment of a person with a history in the media. The Westminster insisted that the chairman of the CLCB "keep the closest watch" over whoever was chosen, for the "new man could do us most serious harm by one single blob." Furthermore, the Westminster advised that the industry's public relations effort should be built up slowly: "after 100 years of almost complete silence", anything dramatic "would make us look ridiculous."[30] In the event, J.A. Hunsworth, formerly the assistant editor of the *Bankers Magazine* (by no means a sensationalist publication) was appointed secretary to the BIS. Although capable, Hunsworth did not have an easy task demonstrating the value of the service to members of the CLCB. Every quarter he reported on the service's activities at the close of a CLCB meeting, but by then the members were restless and unable to concentrate.[31] In the clubby world of 1950s banking Hunsworth remained an outsider who could be trusted up to a point but no further, a player rather than a gentleman.

Uncertainty about Hunsworth's qualifications and the status of the BIS persisted. Nonetheless, gaining the clearing bankers' acceptance of a role for the BIS in the first place was no mean feat. To recapitulate, this episode provided the CLCB and its members with valuable experience of collaborating through the medium of a public relations coordination mechanism, namely the BIS, even if at times some members were more interested in what was for dinner than in what the BIS was actually doing. The key point is that a robust organizational structure of jointly managed public relations was established well before the CLCB's members had agreed to mount a full-scale *collective* public relations campaign. The arguments for such a campaign developed gradually in the wake of scandal and growing staff disquiet about customer complaints.

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[30] Walter [surname not given], Westminster Bank to A.W. Tuke, Barclays, July 23 1953, CLC/B/029/MS32105/001, LMA.
[31] "Note for Record on Banking Information Service", April 22 1959, CLC/B/029/MS32105/001, LMA.

Two embarrassing incidents tarnished the reputation of the British financial establishment in 1958: the Bank Rate case involved allegations of impropriety by Bank of England directors, whilst the hostile takeover of British Aluminium illustrated financial capitalism at its most brutal. Reacting to these developments, the Bank of England urged the clearing banks and other City institutions to think more seriously about public relations. A short-lived City Public Relations Committee was set up in 1958, but bankers and other City types were suspicious of the media. Their attitude to the print media was condescending, and they feared appearing on TV where they could be made to look foolish by tricky interviewers.[32] At a lunch with the CLCB in 1962, Sir Norman Kipping, the Director General of the Federation of British Industries (FBI), left a booklet on public relations that he thought might be of interest to financial institutions. Copies were distributed to members by R.H. Barkshire, the CLCB's secretary.[33] Change was nonetheless slow, and many senior clearing bankers were loath to admit any involvement in "public relations". As late as 1966, the chief executives of the clearing banks insisted that the BIS provided "information" and was not engaged in public relations work.[34]

In practice, the banks did not clearly distinguish between advertising and public relations, and some BIS activities crossed that boundary. It hosted press luncheons at which journalists from the serious newspapers met leading clearing bankers such as Sir Cecil Ellerton of Barclays.[35] Film was regarded as a medium through which the BIS

[32] Kynaston, *The City*, 231
[33] R.H. Barkshire, Secretary of CLCB to members of the CLCB, October 25 1962, CLC/B/029/MS32101A/001, LMA.
[34], "Note for Mr Stirling: Report of the Meeting of the Committee of Chief Executive Officers on 16 June 1966", July 5 1966, CLC/B/029/MS32101X, LMA.
[35] "Guest List for Press Luncheon," January 28 1958, CLC/B/029/MS32105/001, LMA.

could convey a positive image of banking.[36] More than one individual clearing bank had experimented with the medium of cinema advertising. In 1959 Donald Rawlings Productions made a short film ("The End of an Era") for Barclays, publicizing its new EMIDEC 1100 computer, which eliminated manual bookkeeping. This was followed by a 1962 "Progress Report" short on automation at Barclays.[37] Likewise one of the first acts of the Westminster's new – significantly named – Public Relations Department in 1961 was to hire Rawlings to make a short cinema advertisement ("You and the Westminster"). As can be seen today on YouTube, even though the new car bought at the beginning with bank money was not a resplendent Coupe de Ville but rather a boxlike Triumph Herald, the short had a distinctively American aesthetic and tonality, with vivid colouration reminiscent of 1960s American sitcoms such as *Bewitched*.[38]

Cinema advertising by individual clearing banks was one thing, but collective advertising through film was a different matter altogether. The use of film to advertise collectively was regarded by some bankers as a means of economising on advertising expenditure by individual banks, whereas for the BIS its purpose was to improve public understanding of banking and its contribution to the nation. Other senior bankers, however, were troubled by the possibility that the public might regard joint initiatives under the BIS banner as proof of a cosy banking cartel. Consequently, it was deemed essential that any film emanating from the BIS point out that the clearing banks were in competition with each other. Pitching films at the right level and targeting an audience, whether of sixth-formers (16-18 year old school pupils) or adult cinema-goers, also

[36] The BIS had made three films between 1945 and 1951 (though these are not located in the CLCB archive), and some clearing banks had produced their own documentaries. "BIS Press Release on 'Money in the Bank'," November 25 1965, CLC/B/029/MS32105/001, LMA.
[37] Donald Rawlings Productions worked in close association with the advertising agency Charles Barker & Sons. A record of each short film is located respectively at: http://ftvdb.bfi.org.uk/sift/title/632082; http://ftvdb.bfi.org.uk/sift/title/322266.
[38] Regarding the Department's formation, and to view the short, see: http://www.rbs.com/about/history-100/our-public-face/cinema-advertisement-for-westminster-bank-1961.html

presented a challenge.[39] In October 1963 the BIS appointed the advertising agency Charles Barker & Sons, which already worked for three of the Big Five banks, to manage the production and distribution of a documentary film.[40] A 27 minute-long movie, "Money in the Bank", with a production cost of about £30,000 (plus up to £28,000 for distribution costs), was delivered to the BIS by Cyril Randell Productions in 1965. "Money in the Bank", scripted by Basil Boothroyd, strove to explain the functions of modern banking in an entertaining way to audiences with a "sixth-form level of intelligence". Hunsworth told his patrons in the CLCB that the goal of the movie was to attract new customers as well as good recruits to the banking industry.[41] In 1965, only 27 per cent of British adults – in the main the more prosperous ones – had current accounts at clearing banks.[42] Unfortunately, attempts to interest cinema chains and TV stations in showing the film were unsuccessful.[43] Nonetheless "Money in the Bank" was shown successfully at bank branches to audiences of customers, in schools, and at meetings of community groups.[44]

TV was yet another kettle of fish, but one where once again the CLCB as an organization learnt to broker agreements amongst member banks concerning the handling of advertising, if not also of public relations. The clearing banks had a predictably cautious approach towards TV, a medium which for many years they regarded as a potential financial drain rather than as an opportunity. Current affairs programmes were also regarded as a threat because of their potential to embarrass the

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[39] "Extract of Report from Meeting of Constituent Banks of Banking Information Service on 4 July 1963," CLC/B/029/MS32105/001, LMA.
[40] "Note for record," September 12 1963; "Extract from BIS meeting on 30 October 1963," CLC/B/029/MS32105/001, LMA.
[41] "New Banking Film," July 14 1965, CLC/B/029/MS32105/001, LMA.
[42] "Review and Recommendations on the Public Image of the Eleven Clearing Banks," by Charles Barker & Sons, April 1966, 9, CLC/B/029/MS32101X, LMA. Working class adults were more likely to hold accounts at building societies, the Post Office, or trustee savings banks.
[43] "Note of Film Distribution and Previews," undated [1965], CLC/B/029/MS32105/001, LMA.
[44] "BIS Press Release on 'Money in the Bank'," November 25 1965; "Brochure Advertising 'Money in the Bank'", CLC/B/029/MS32105/001, LMA.

banks. CLCB members recognized that TV could become source of disunity within the clearing bank fold. During the countdown to the establishment in 1955 of ITV, Britain's first commercial network, the question of TV advertising was raised within the CLCB. It was agreed, with reservations by the Midland, that the committee would be given three months' notice before any of them "sponsored a programme".[45] A proposal for a one-off, collectively-sponsored TV programme was discussed but fell through.[46] The Midland then seized the initiative, opportunistically advertising its "Christmas Gift Cheques" with 15-second TV commercials in December 1956 and 1957. In 1958 the Midland announced its withdrawal from the undertaking to give the CLCB advance notice of the use of TV advertising.[47] This move led to considerable debate within the CLCB, and Barclays threatened to start advertising on TV in retaliation. The solution was an agreement amongst the clearing banks, facilitated through the organizational mechanism of the CLCB, not to use TV advertising individually.[48] This proved a comfortable arrangement for the clearing banks. It was also an arrangement that preserved the unity of the CLCB, a unity that would pay dividends later on in the face of political challenges to the clearing banks' legitimacy.

With the collective agreement in place, the CLCB was prompted to pay greater attention to collective PR and TV work in the 1960s by representations from the banks' "Staff Associations" – which, in effect, were in-house white collar trade unions. In 1964, the Staff Associations urged the CLCB to take action to improve the public image of banking. They returned to this theme in a meeting with bank chairmen in February

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[45] "Extract from CLCB Minutes of Meeting Held on 7 October 1954"; "Note for Record on Commercial Television," undated [1954]; CLCB Minutes, December 2 1954, CLC/B/029/MS32100, LMA.
[46] In any event, the Television Act 1954 enforced a clear distinction between advertising content and programmes; sponsored programmes were not allowed (Fletcher, *Powers of Persuasion*, 32).
[47] Lord Monckton of Brenchley, Chairman of the Midland to D.J. Robarts, Chairman of CLCB, June 30 1958, CLC/B/029/MS32100, LMA.
[48] "Extracts from Minutes of CLCB Meeting on 3 March 1960," CLC/B/029/MS32100, LMA.

1965, drawing attention to a BBC programme in which Mr Thackstone, a bank representative, had been interviewed in a "highly contentious manner". Staff morale was said to be falling because of constant media attacks on the banks. The CLCB indicated to staff representatives that the BIS had recently been granted more autonomy to respond to attacks, but acknowledged that there might also be a case for the banks as a group to buy time on commercial TV to put their case.[49]

After consulting with Charles Barker & Sons, however, the BIS expressed scepticism about the effectiveness of a glossy advertising campaign. Short opening hours, confusing bank statements, delays, and high fees were genuine issues that could not be swept under the carpet. Fleet Street (as opposed to City) journalists were bound to pounce on any weakness in the service provided by the clearing banks. The Staff Associations were themselves partly to blame for bad publicity because they highlighted conflicts over wages and conditions. Unless levels of service improved, no amount of advertising would convince the banks' detractors. The clearing banks' public image, concluded the BIS, depended ultimately on the efforts of its counter-staff.[50] Paying actors to sing and dance in TV commercials would not resolve the underlying problems, which should be tackled first. This was an awkward message to convey to senior bankers.

Six areas of customer dissatisfaction were identified and discussed by a subcommittee of clearing bank chief executives in April 1965: (i) banking hours, (ii) bank charges, (iii) counter service, (iv) inconveniences arising from computer accounting,[51] (v) staff relations, and (vi) credit transfers. But some criticism was

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[49] "Extract of a Note of a Meeting Between Chairmen of Certain of the Clearing Banks and Chairmen of the Respective Staff Associations Held on 4 February 1965," CLC/B/029/MS32101A/001, LMA.

[50] "The Banking Image," March 25 1965, CLC/B/029/MS32101A/001, LMA.

[51] The computerization of routine procedures was a response to staff shortages and rising costs, and therefore potentially a means of improving the quality of services. On the other hand the process of

deemed unreasonable, and the chief executives argued that the pressure of competition ensured a good overall level of service. Their conclusion was blunt and complacent: "We have been unable to suggest any radical improvements in the basic services provided by the Banks generally." They took issue with the BIS's "dispirited" comments. Any advertising campaign should be positive rather than defensive. "The industry has substantial achievements to its credit", and they should be shouted "from the housetops". The BIS was urged to be "positive" and "bold" in projecting the image of the clearing banks.[52]

Chief executives proposed and bank chairmen agreed, in January 1966, that a public relations firm be appointed to work with the BIS and the sub-committee on improving the banks' image.[53] Charles Barker & Sons were commissioned for this task. Barkers noted that, apart from "Money in the Bank" and a limited campaign to encourage the use of credit transfers, the clearing banks did nothing *collectively* to promote the banking industry to the public. "Carping at the banks is a national British hobby", explained Barkers, and it would take an effort of immense proportions, costing millions, to counter "entrenched prejudice" in the short term. Barkers agreed with the BIS that it would be "foolhardy" to mount a large-scale TV and press campaign aimed at a mass audience until the banks had taken action on issues that clearly irritated the public like short opening hours. A more modest campaign in the quality newspapers,

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computerization was fraught with technical and organizational difficulties. Studies of this episode, however, neglect the impact on the customer experience. Booth, "Technical Change"; Bátiz-Lazo and Wardley, "Banking on Change."

[52] "Report to the Chief Executive Officers of the Subcommittee on the Banking Image," November 1965, CLC/B/029/MS32101A/001, LMA.

[53] "Record of Discussions at the Meeting of the Committee [CLCB] on 6 January 1966," CLC/B/029/MS32101A/001, LMA.

explaining the role of banks in society to middle class opinion formers, would be more productive.[54]

Despite the misgivings of their various advisors, the CLCB started in the mid-1960s to become more open to the idea of collective TV advertising. A new factor in the debate was the advent in 1968 of National Giro, a banking service offered by the Post Office. National Giro was projected as an alternative to the clearing banks based on the latest computer technology, and its services were targeted at working class families. Some form of response to this competitor was required. Barkers were appointed to work on a joint TV advertising project in conjunction with the BIS and representatives of the member banks. A series of commercials for the English and Scottish Clearing Banks was produced and broadcast in 1969. The objectives were to familiarize the public with the services offered by the clearing banks, to hit back at National Giro, and to divert attention from weaknesses, including short opening hours, that were too difficult to tackle because of the industrial strength of the bank workers. The style of the campaign was whimsical. It was estimated that the commercials, featuring the "bank manager in the cupboard" and the "bank manager in your living room", reached 100 per cent of adults in households with access to ITV.[55] Yet the cost was significant, amounting to £112,500 in January 1969 alone, when the Clearing Banks boasted the 13th highest TV advertising spend, nestling between Esso Blue Paraffin (12th) and Blue Band Margarine (14th), but a long way behind top consumer brands such as Persil and Kellogg's Corn Flakes.[56] *The Times* mockingly compared the "bank manager in the

[54] "Memorandum on Publicity and the Clearing Banks," by Charles Barker & Sons, undated [1966], CLC/B/029/MS32101X, LMA.
[55] The "living room" commercial can be viewed on YouTube.
[56] "Collective Banks Television Advertising Campaign Quarterly Time Buying Report, January-March 1969," by Charles Barker, May 9 1969; J.A. Hunsworth to R.H. Barkshire, April 22 1969, CLC/B/029/MS32100, LMA.

cupboard" to the "skeleton in the cupboard", and described the campaign as "embarrassing".[57]

In March 1970 the clearing banks terminated their joint TV advertising campaign. Some bankers felt that the campaign had succeeded; others concluded that the fight against National Giro was not worth pursuing on a collective basis; and some were sensitive to the charge that the joint advertising initiative was an example of the cartel in action. The potential for poorly-conceived collective advertising to expose the clearing banks to ridicule was a lesson hard learnt by the CLCB, which it took into account when responding to the subsequent threat of bank nationalization.

To summarize: by 1970 the CLCB had locked in place a framework that would facilitate the use of collective advertising and public relations in the forthcoming battle over bank nationalization. The CLCB's greatest strength was its cohesiveness, having a relatively small number of members that had been cooperating relatively amicably for twenty years on publicity matters. The CLCB had experience of producing joint shorts, of forging agreement among its members about collective public relations and advertising, and it now knew when – and when not – to use TV. This public relations experience put the CLCB in a position to – metaphorically speaking – take out insurance against the possibility that a future Labour Government would include bank nationalization in its manifesto.

The Bank Nationalization Threat

In the early 1970s the environment in which the clearing banks operated changed. The Conservative government (1970-74) and the Bank of England lifted some of the

[57] "Banks Drop TV Adverts," *The Times*, March 18 1970, 21; Ian Morison, "The Friday Column: Making the Banks Pay a Market Price," *The Times*, March 20 1970, 31.

constraints on bank lending and competition. The interest rate cartel was abolished. Substantial collusion persisted but was looser than in previous decades. The international economy became increasingly unstable, compounding Britain's already lacklustre economic performance. Ministers responded to rising unemployment in the early 1970s with a large monetary injection which merely boosted inflation. Labour relations deteriorated. Several important firms including Rolls Royce and British Leyland collapsed. A number of smaller "secondary" banks failed, creating unexpected difficulties for the clearing banks and the authorities. The oil crisis of 1973-75 brought a new round of misery. In 1974 the Conservatives were replaced by Labour (1974-79) but economic turmoil persisted. As the British economy lurched from crisis to crisis during the 1970s, some critics turned their attention to the perceived shortcomings of the financial system including the clearing banks. They went beyond the routine gripes about opening hours and bank fees to challenge the role of the clearing banks in financing British industry.[58] Of course this line of attack had a long history that stretched back to the Macmillan Report of 1931, if not earlier. In short, the clearing banks in the 1970s faced a real threat to their legitimacy and a new public relations challenge.

Against this economic backdrop, a very specific politically-derived threat emerged. In 1971 the Labour Party conference passed a motion calling for the nationalization of all banks (not just clearing banks), building societies, and insurance companies. The resolution came as a surprise, and reflected the views of the rank and file rather than the party leadership.[59] Not since the mid-1930s had the party shown much interest in nationalizing the banks. A study group was set up by the party's

[58] Cairncross, *British Economy*, chapter 5.
[59] Pollard, "Nationalisation of the Banks," 181-2.

National Executive Committee (NEC) to investigate how nationalization might be achieved. Progress was slow and the study group did not issue its report or "green paper" for discussion until August 1973. The green paper defended the nationalization proposals on the grounds that the banks provided an inadequate service to customers, allocated national resources poorly, and underpinned inequality. It envisaged the formation of a "British Bank" that would acquire the assets of financial institutions. The clearing banks would be merged into two state-owned commercial banks.[60] Allegations of oligopolistic practices, the wasteful duplication of branch networks, the support of speculation, and the neglect of British manufacturing industry were also made against the clearing banks. Bank nationalization, however, was not official Labour Party policy during the election campaigns of 1974.

In 1975 the Labour government, concerned about the plight of manufacturing industry, set up the National Enterprise Board (NEB). The NEB was given some investment banking functions, and the door was left open for its future expansion into other areas of banking. In January 1976, the Prime Minister, Harold Wilson, responded publically to an enquiry from Charles Villiers, a merchant banker, by stating that bank nationalization was not government policy. He also indicated that it was unlikely to become government policy, though any recommendations from the NEC or the party would have to be considered.[61] The Labour Party was in essence split along left-right lines over the nationalization question.

At the 1976 Labour conference, a large majority voted for the nationalization of the four largest clearing banks (Barclays, Lloyds, National Westminster, and Midland), the seven biggest insurers, and one merchant bank, in defiance of James Callaghan,

[60] Labour Party, *Banking and Insurance*.
[61] Charles Villiers to Harold Wilson, January 19 1976; Harold Wilson to Sir Charles Villiers, January 21 1976, CLC/B/029/MS32142/001, LMA; "Wilson Reply to Bankers' Nationalization Fears," *The Times*, January 24 1976, 3.

Wilson's successor as Prime Minister, who had described the proposal as an "electoral albatross".[62] But the Labour Party conference did not determine government policy. It also remained to be seen whether nationalization would be included in the Labour manifesto for the next general election. The government's weakness in parliament meant that an election was possible at any time. In the event, support within the movement for bank nationalization had weakened by the end of 1977, and the policy did not find its way into the manifesto. "Sunny Jim" Callaghan hung on with Liberal support until 1979, and was then defeated by the Conservatives led by the "Iron Lady", Margaret Thatcher.

Given that the British banking industry was not taken into public ownership in the 1970s, the very idea of nationalization might seem bizarre. It should be borne in mind, however, that the economic crisis of the mid-1970s was the most serious since the 1930s. If the economy had not begun to recover in 1977-78, pressure for a radical alternative to government policy might have grown. Collective ownership of commercial banking was not an outlandish concept in the context of the 1970s. More than half of the assets of the ten largest banking institutions in France, West Germany and Italy were either owned or controlled by the public sector. Britain's privately-owned commercial banking system was the outlier.[63] Albeit in a very different context, the British government effectively nationalized a chunk of the banking system during the financial crisis of 2007-09, a measure that would have been inconceivable a short time earlier. In this paper we do not focus on the substantive economic arguments for and against nationalization, but rather on the organizational and public relations response of the CLCB.

[62] Pollard, "Nationalisation of the Banks," 82-3.
[63] La Porta, Lopez-de-Silanes, and Shleifer, "Government Ownership," 272-3.

The CLCB established a working party in 1973 to consider how the argument for continued private ownership could be put. It concluded that "concessions" in the areas of "management attitudes", service levels and charges could improve the industry's "public image". Clearing banks ought to do more to explain their role to the public. In February 1976, as demands for nationalization became more vocal, the clearing banks commenced a joint anti-nationalization campaign. By the 1970s the clearers had learnt many organizational lessons and were used to cooperating on public relations issues through the CLCB, so that mobilizing in this manner was relatively easy to achieve. A Bank Nationalisation Working Party (BNWP) was formed within the CLCB under the chairmanship of Lord Armstrong of Sanderstead, chairman of the Midland Bank. The anti-nationalization campaign was too important to leave to the BIS. Armstrong, a big hitter, had been the head of the home Civil Service between 1968 and 1974. Three stages of activity were planned, assuming that the nationalization proposals were not dropped. From March to April 1976, the BNWP would brief "selected" journalists on the case against public ownership, while a prominent economist or financial journalist would be commissioned to write an academic paper attacking nationalization. (This was all very gentlemanly.) Between April and October, extensive polling would be conducted to ascertain the public's views. Ministers and moderate Labour MPs would be contacted and persuaded that bank nationalization was a vote loser. Finally, a public campaign might be necessary later on, though much depended on how matters unfolded in the meantime, and it was too early to start planning such an initiative. Armstrong addressed the public relations officers of the clearing banks at a meeting at the Midland on 1 March 1976. He told them that they would be key figures in getting the banks' message over to the media and MPs. At that stage the clearing banks were anxious not to give the impression of collusion.[64]

Individual banks tried to build relationships with particular ministers and MPs, and lists were drawn up indicating which bank was responsible for lobbying whom: Callaghan was assigned to the Midland, while Denis Healey, the Chancellor of the Exchequer, was assigned to Barclays.[65] By April 1976, questions were being asked about the BNWP's low-key approach, which was designed to avoid provoking the government as well as to withhold unnecessary publicity from the left's nationalization plans. Some clearing bankers suggested that a less apologetic approach might be required: "When a group of drowning men refuse to get into the same boat for fear of being accused of plotting to cheat at cards the outside world is entitled to a certain degree of surprise."[66]

The phoney war came to an end when the National Executive Committee of the Labour Party published *Banking and Finance* in early September, a policy document that advocated nationalization of the four big clearing banks and some other financial institutions. Anthony Tuke (Barclays), the chairman of the CLCB, responded with a public statement rejecting the NEC's recommendations. Lord Armstrong wrote to Callaghan and urged him to prevent the NEC's scheme, which he said threatened sterling and London's role as a global financial centre, from becoming government policy.[67] Callaghan did his best, warning the NEC on the eve of the party conference at Blackpool, that bank nationalization was an "electoral albatross", but that advice was

[64] "Minutes of Bank Nationalisation Working Party [BNWP]," February 2 1976 and February 16 1976; "Minutes of a Meeting Held at Midland Bank," March 1 1976, CLC/B/029/MS32142/002, LMA.
[65] "Note by Brendon Sewill," November 9 1976, CLC/B/029/MS32142/004, LMA.
[66] "Forward Strategy," April 29 1976, CLC/B/029/MS32142/002, LMA.
[67] "BIS Press Release: Bank Nationalisation: Statement by Mr Anthony Tuke, Chairman of the CLCB," September 9 1976; Lord Armstrong of Sanderstead to James Callaghan, September 15 1976, CLC/B/029/MS32142/004, LMA.

unheeded.[68] Callaghan's resolve on that occasion was strengthened by a visit from Lord Armstrong bearing the results of the latest opinion polling on bank nationalization.[69]

The Labour Party conference had not brought clarity to the nationalization debate. The party and the government were still divided. The government could fall at any time, precipitating an election. Callaghan was an asset to the opponents of nationalization, but could he be relied upon to hold the left in check indefinitely? Support grew within the CLCB for embarking on an advertising campaign as additional insurance against the inclusion of nationalization in the next Labour election manifesto.[70]

An "Advertising Brief" was distributed by the CLCB and the Scottish clearers to a list of seven advertising agencies in October 1976, with a view to commissioning a joint advertising campaign. The brief said that the objectives of any campaign should be to keep nationalization out of the Labour Party's manifesto, and improve the public image of the clearing banks. The target audience would be the electorate and anyone who might influence the contents of the Labour manifesto, and the budget would be in the region of £1.5 million for 1977.[71] J. Walter Thompson (JWT), McCann-Erickson, and Ogilvy, Benson and Mather were shortlisted and invited to give presentations. Barkers (now Ayer Barker Hegemann), despite having served the CLCB in the 1960s, were not shortlisted. After the interviews the BNWP reported back to the CLCB. The banks' public relations activities in 1976, whilst effective in some ways, had been flawed because they did reach out to the general public, the BNWP argued. Polls showed that when asked

[68] Michael Hatfield, "Bank Nationalization 'Electoral Albatross', Mr Callaghan Says," *The Times*, September 25 1976, 1.
[69] Iain Murray, "Banking on a Winner that Couldn't Fail," *Observer*, October 9 1977.
[70] "Future Strategy," by B.S. Sewill and L.W. Priestley, October 7 1976, CLC/B/029/MS32142/004, LMA.
[71] "Advertising Brief," October 19 1976, CLC/B/029/MS32142/004, LMA. In the event the cost of the campaign was £855,000. "The Banks Anti-Nationalisation Campaign: Summary of Expenditure, 1.1.77 – 11.11.77," CLC/B/029/MS32142/008, LMA.

about nationalization in general, and bank nationalization in particular, the public expressed consistent opposition to such policies. However, other polls showed that only a small minority realised that elements in the Labour Party wished to take the banks into state ownership, and few considered the issue sufficiently important to influence their vote. The BNWP felt that there was a strong argument for using paid advertising to keep the subject of nationalization in the news.

McCann-Erickson and Ogilvy, Benson and Mather proposed that joint TV advertising by "the Banks" should be prominent in any campaign. Since the rules of the Independent Broadcasting Authority prevented businesses from engaging in TV advertising of an overtly political nature, the focus would have to be on the clearing banks' positive contribution to the economy. Nationalization simply could not be mentioned. JWT preferred a joint campaign in the national newspapers where there were no restrictions on the content of advertising. The JWT campaign would be complemented by the now routine TV advertising of individual banks.

The BNWP favoured the approach of JWT. A campaign based on TV would be expensive and risky. The message could not easily be modified in response to developments in the political environment. An attempt by the banking industry to sing its own praises on TV might invite ridicule, as in 1969. Moreover the banks might be accused of extravagance. But a press campaign such as that proposed by JWT would be direct, relatively cheap, and flexible. It was far easier to rewrite a full-page newspaper advertisement than reshoot a flopped TV commercial. With a newspaper campaign there was also scope to make the advertisements more combative should a change in tone be required.[72] Flexibility was important. Rising profits were expected to make the banks more vulnerable to attack from the left in 1977.[73]

The CLCB agreed that some form of joint advertising campaign was warranted, albeit with some reservations. At first the members were divided over whether to base the campaign on TV or press advertising; eventually they came down on the side of JWT, a firm that already worked on behalf of National Westminster and the Trustee Savings Banks.[74] JWT outlined their campaign programme in March 1977. The objectives were to inform voters, especially moderate Labour voters, about the nationalization scheme and get them involved in public debate; to reassure staff; to make “the Banks” into a cohesive group for sectoral negotiations; and to improve the public's perception of banks by showing that they were prepared to listen and change. Full-page advertisements would be taken out in English and Scottish newspapers from May to November. They would deal with topics such as "loans to industry" and "choice". Material would be pitched at different levels for the "Thoughtful", "Thoughtful/Popular", and "Popular" press: the less sophisticated the audience, the more visual the content. The goal was to reach 93 per cent of adults and provide 18 "opportunities to see'". Each advertisement would include a cut out coupon. Readers would use these coupons to send their views to “the Banks”. The press campaign would be supported by leaflets, letters, posters, public relations work, and research. A price tag of £910,000 was provisionally attached to the campaign.[75]

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72 “Note on ‘Advertising’ for the CLCB from the BNWP,” January 25 1977, CLC/B/029/MS32142/004, LMA.

73 “Note of an Informal Discussion by the Chairmen of the CLCB,” December 2 1976, CLC/B/029/MS32142/005, LMA.

74 “Minutes of BNWP Meeting,” January 20 1977, CLC/B/029/MS32142/004, LMA.

75 “The Banks: Recommendations on Campaign Programme for Working Party,” by J. Walter Thompson, undated, March 1977, CLC/B/029/MS32142/005, LMA.

Several clearing banks – Lloyds and Williams and Glyn are named – had second thoughts about the impending advertising campaign in April. The government, now in desperate straits, had entered into a pact with the Liberals, and some bankers were anxious not to heap further embarrassment on Callaghan. But Armstrong rallied his forces and "The Banks Debate" campaign proceeded as planned.[76]

Advertising material was issued in the name of 'THE BANKS', but also carried the symbols of each of the English and Scottish clearing banks and the Yorkshire Bank.[77] The first advertisement, with a headline of "Do you care what banks do with your money?" appeared on 17 May and was repeated on 10 June. The copy (in the "Thoughtful" press) informed readers of the NEC's intentions to socialize the "Big Four", pointed out that the Prime Minister disagreed with the NEC, and asked readers for their opinion. The case for nationalization was portrayed as weak. The NEC claimed that industry needed more funds; the banks responded that funds were available but firms were not taking them up because of uncertainty about the future. Clearing banks were accused of excessive caution in lending by the NEC; but they had a duty to safeguard depositors' funds. If the banks were state-owned, they would be subject to political pressure to lend more to unsuccessful industries. This was a clever precis of the economic issues. Readers were asked to fill in a coupon and send in their views.[78]

On 27 June the second advertisement, "Hobson's Bank" was issued (and repeated on 13 July). This focused on the NEC's assertion that the big banks were too powerful. On the contrary their power was exaggerated and they had to compete for business with building societies, trustee savings banks, National Savings and other types of institution, as well as with each other. There was plenty of choice, but would there be

[76] "Minutes of BNWP Meeting," April 20 1977, CLC/B/029/MS32142/006 LMA.

[77] The Scottish clearers were the Bank of Scotland, Clydesdale, and the Royal Bank of Scotland. The Yorkshire Bank was in the joint ownership of several of the clearers.

[78] *The Times*, May 17 1977.

much choice after nationalization, even if the government operated each of the big four as a nominally separate business? Depositors and clients would vote with their feet and do their banking outside the state system. It was noted that 10,000 readers had responded to the first advertisement. Between 90 and 95 per cent said they opposed nationalization.[79]

Advertisement three came out on 29 July and was repeated on 3 August and 17 August. "So far over 20,000 people have had their say" was the headline. Over 90 per cent were against nationalization. A sample of the replies, both pro and con, was printed. "Have we heard from you yet?" - there was still time to write in.[80] The fourth advertisement on 1 September (repeated on 23 September) asked "Did the polls get you right?", and set out the results of recent MORI and Gallup polls on banks and bank nationalization. The polls confirmed strong opposition to state ownership. Readers were asked to tick boxes to show whether they agreed or disagreed with the poll results. There was still time to send their views to 'THE BANKS'. 28,000 had already done so.[81]

The BNWP was pleased with the response to the first advertisement. Public awareness of the issues had been raised. Some elements in the Labour Party were beginning to waver in their support for nationalization. Furthermore the campaign had created a collective organizational identity for “the Banks”.[82] The trade union movement, led by workers in the banking and insurance industries, was swinging against the NEC's nationalization scheme. At the TUC conference in early June, the National Union of Bank Employees (NUBE) proposed a motion critical of the NEC's *Banking and Finance* document. Leif Mills, the NUBE spokesman, denounced the

[79] *The Times*, June 17 1977.
[80] *The Times*, July 29 1977.
[81] *The Times*, September 1 1977.
[82] “The Political Situation, June 1977”, June 21 1977, CLC/B/029/MS32142/006, LMA.

clearing banks' "strident and expensive" publicity campaign, but argued that the NEC had failed to produce a well-argued case for nationalization. NUBE's motion was carried.[83] The CLCB, which was in touch with the bank unions throughout the campaign, credited them with a "fundamental" role in fighting the left to a standstill.[84] Shortly after the release of the second advertisement later in June, the BNWP concluded that the campaign had served its purpose and should be run down in September instead of continuing until November. Labour, the BNWP noted, looked increasingly unlikely to win the next general election. Some form of public relations campaign might be required to act as an insurance policy against the revival of the left, and to convey a positive image of banking, but it need not be on the current scale.[85] As the campaign was phased out in September, the BNWP expressed satisfaction that there had been no public backlash against the banks.[86]

Conclusion

Clearly, "The Banks Debate" was a handy prophylactic against the Labour left. It was abandoned early principally because its opponents were wilting. Labour limped on in power until 1979. The party's prospects were so grim that it could not afford to accumulate new policies that might be difficult to sell to the electorate. The 1979 Labour Party manifesto rather coyly mused over the strengths and weaknesses of the financial sector, and promised to develop Girobank and the National Savings Bank into stronger competitors for the clearing banks, but made no mention of nationalization. Labour swung violently to the left after 1979, as many in the clearing banks had

[83] TUC, *Report of 109th Annual Trades Union Congress*, 544.
[84] "Notes on Bank Nationalisation," November 25 1977, CLC/B/029/MS32142/008, LMA.
[85] "Report to the CLCB from the BNWP," June 28 1977, CLC/B/029/MS32142/007,LMA.
[86] "Minutes of BNWP Meeting," 5 September 1977, CLC/B/029/MS32142/007, LMA.

predicted,[87] but persistent internal divisions and the secession of the right-wing SDP made the party's hopes of regaining power increasingly remote.

Reflecting on “The Banks Debate” in 1979, J. Walter Thompson remarked on the lack of subtlety of the left's approach. If only they had come up with a strategy to control the clearing banks that fell short of outright nationalization, the task of the BNWP and JWT would have been much harder. In fact there was still little public goodwill towards banks. Though the clearing banks were now seen as more efficient than formerly, they continued to be regarded as schoolmasterly and aloof, especially by the working class. The public took for granted the services provided by clearing banks, and only noticed the drawbacks, such as rising fees and unresponsiveness to small business. Building societies had a reputation for being more consumer-friendly.[88] The clearing banks had seen off the socialist challenge in the 1970s, but they were not loved, and never would be.

Between the early 1940s and around 1970 the London clearing banks gradually overcame their fear of publicity to develop an organizational framework for projecting a common and more positive identity. This process involved considerable organizational learning and experimentation (not always successfully) with new media such as television. That the CLCB was a close-knit club helped. During the 1950s and 1960s the threats to the clearing banks' image, though not inconsiderable, were rather mundane. Many customers were fed up with what they perceived to be poor service. Building societies and the National Giro were snapping at the heels of the Big Five. But as yet there was no credible challenge to the legitimacy of the clearing banks - their right to exist and conduct their business within the private sector. During the early 1970s the

[87] “Minutes of BIS Public Relations Sub-Committee,” May 15 1979, CLC/B/029/MS32102/001, LMA.
[88] “The Case for Collective Advertising for the Clearing Banks,” by J. Walter Thompson, June 1979, CLC/B/029/MS32102/001, LMA.

economic climate in Britain deteriorated and critics on the left began to accuse the financial services industry of failing the economy. Within the Labour Party a bitter struggle broke out over proposals for the nationalization of part or all of the banking industry. Though bank nationalization was opposed by the leadership of the party, it won widespread support from the left and the rank and file. The CLCB had to take the threat of nationalization seriously. Fortunately, the CLCB's experiments in advertising and public relations in the 1950s and 1960s provided it with a framework for mounting a well-organized anti-nationalization campaign. That campaign was effective in bolstering the opponents of nationalization within the Labour movement and the country at large. Whether "the banks' debate" was the decisive factor in thwarting nationalization is not the point. What matters is that during 1976-77 the clearing banks succeeded, as never before, in projecting a collective identity and in explaining to the public that they played a vital role in the management of the economy. As a result they were able to preserve their legitimacy and their independence.

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