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are published, for example public library materials such as self-help books, popular fiction and biography, etiquette, and other genres that later become invaluable sources for cultural historians.

- What if we start down this road but find part-way there that the political will and/or financial resources necessary to do the job well are not forthcoming?

Other Big Questions

Another facet of **Curating the Collective Collection** will be thoughtful essays wrestling in a public forum with some of the larger questions attendant to this remarkable conceptual and operational shift from managing individual institutional collections to reliance on a cooperatively curated, shared national collection. Some of obvious questions include:

- What is the political economy of a national shared collection? Who will own and have access to materials? What are the long range cost and power implications of the structures we establish for sharing? Who might be left out? Will shared print archiving ameliorate or exacerbate inequitable access to scholarly materials?
- How can we build sustainable trust networks that will endure for generations?

- How do we coordinate shared print archiving nationally and internationally?
- What existing models outside librarianship and higher education might inform the development of the social and technical infrastructure?
- What voices outside librarianship need to be heard and what ideas and concerns need to be grappled with as we systematically and strategically (or not!) “drawdown” “redundant” library holdings?

Invitation to Participate

While those already active in shared print archiving will read and contribute to this column, a primary purpose is to engage a broader spectrum of librarians in thinking about and discussing these issues. You are invited to help shape this column by:

- Offering opinions, ask questions and suggest topics for articles. **Remember, please send me a note now suggesting three topics you'd like to see covered in the year ahead.**
- Proposing to write or co-author articles on relevant issues about which you are passionate and knowledgeable.
- Commenting on and contributing to a possible **Curating the Collective Collection** blog.

Stay tuned and be in touch! ☺

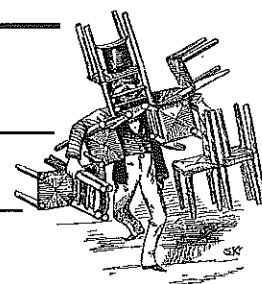
Endnotes

1. Thanks to **Bob Kieft** of **Occidental College** for this apt turn of phrase.
2. OhioLINK Collection Building Task Force, **Julia Gammon** and **Edward T. O'Neill**. 2011. *OhioLINK—OCLC Collection and Circulation Analysis Project 2011*. Dublin, Ohio: OCLC Research. <http://www.oclc.org/research/publications/library/2011/2011-06r.htm>
3. **Constance Malpas**, *Cloud-sourcing Research Collections: Managing Print in the Mass-digitized Library Environment* (Dublin, Ohio: OCLC Research, 2011), p. 66 <http://www.oclc.org/research/publications/library/2011/2011-01.pdf> reported a rate of 31%, which has now increased to 45% as announced by **John Wilkin** at the **HathiTrust Constitutional Convention** on October 8, 2011.
4. **Courant, Paul N.** and **Matthew “Buzzy” Nielsen**, “On the Cost of Keeping A Book,” in *The Idea of Order: Transforming Research Collections for the 21st Century Scholarship*. CLIR Publication no. 147, June 2010.

Collecting to the Core — Financial Crises

by **Peter Z. McKay** (Business Librarian, University of Florida Libraries; Economics Subject Editor, *Resources for College Libraries*) <pzmckay@uflib.ufl.edu>

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Column Editor's Note: The “Collecting to the Core” column highlights monographic works that are essential to the academic library within a particular discipline, inspired by the Resources for College Libraries bibliography (online at <http://www.rchweb.net>). In each essay, subject specialists introduce and explain the classic titles and topics that continue to remain relevant to the undergraduate curriculum and library collection. Disciplinary trends may shift, but some classics never go out of style. — AD

“Money will not manage itself, and Lombard Street has a great deal of money to manage.” — Walter Bagehot, Lombard Street!

In 1873 the British journalist, political commentator, and economist **Walter Bagehot**, the long-time editor of *The Economist*, published *Lombard Street: A Description of the Money Market*.² At the time, London was the financial capital of the world and Lombard Street — home to the Bank of England, private banking houses, joint stock banks, and bill brokers — was the epicenter of finance, much like today's Wall Street. **Bagehot's** book was based on a series of essays published in *The Economist* beginning in the 1850s. In addition to a lively portrait of the contemporary money market and leading personalities in mid-nineteenth century London, the book forcefully argued that the Bank of England must play the key role of *lender of last resort* in stemming a banking panic. Today, *Lombard Street* is widely regarded

as the original crisis management manual for central banks. This essay discusses some of the fundamental works covering modern financial crises, from nineteenth-century Lombard Street to twenty-first century Wall Street.

Founded in 1694 to finance the War of the League of Augsburg against France, the Bank of England grew to become the de facto issuer of British currency and the country's central bank. In addition to its role as the government's bank, it became the bankers' bank and the keeper of Great Britain's currency and reserves, colloquially coined “The Old Lady of Threadneedle Street.” When the **British Parliament** officially established the gold standard in 1821, the Bank of England was required to redeem all of its notes in gold on demand. In contrast to today's “fiat money” system whereby money

has value based on government decree and is intrinsically useless, the Bank of England's ability to create money was restricted since new note issues had to be backed by gold. For a comprehensive history of gold and its role as both an economic unit and a mythologized object of human desire, see financial historian **Peter Bernstein's** *The Power of Gold: A History of an Obsession*.³ While the Bank of England performed many public functions, such as establishing the gold-backed legal tender and purchasing government bonds, it remained privately owned. There was an inherent conflict between its role as a private institution whose primary constituency was its shareholders and its public role to promote financial stability. In a crisis, the key question was whether the Bank of England would preserve the wealth of its private shareholders or help rival banks in order to preserve the public financial system. The nineteenth century saw frequent, frightening financial crises that intensified this tension. As **Carmen Reinhart** and **Kenneth Rogoff** chronicle in *This Time Is Different: Eight Centuries of Financial Folly*, the United Kingdom alone experienced banking crises in 1810, 1815, 1825, 1837, 1847, 1857, and 1866.⁴

These frequent financial crises highlight how the banking system functions as a con-

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fidence game, not in the traditional sense of a swindling operation, but in the sense that any bank's soundness depends on the belief that a bank's depositors and creditors can get their money at a moment's notice. Banks borrow for short periods and lend for long periods, profiting from the difference in the rate they pay to depositors and the rate they charge borrowers. Because of this, a modern bank will typically maintain only about ten percent of its assets in liquid securities such as United States Treasuries. For every one dollar in reserves, a bank has nine dollars on loans to businesses and individuals. Modern fractional reserve banking relies on public confidence that a depositor can obtain funds on a moment's notice. During a banking crisis, credit contracts and players seek safety in cash or its nearest substitute. Historically, this has led to bank runs — a rush to withdraw cash that depletes banks' cash reserves, causing banks to fail and credit markets to freeze. Individuals and institutions acting rationally in their self-interest can cause the entire financial system to collapse, and the crisis becomes catastrophic.

Given the historical frequency of financial crises, there is much practical, as well as theoretical evidence to draw from. In *Lombard Street*, **Bagehot** argued that in a financial crisis the Bank of England must "... lend freely, boldly, and so that the public may feel you mean to go on lending," even though "...the first instinct of everyone is to the contrary."⁵ His dictum flies in the face of the most basic economic survival instinct: preserve capital. The wisdom of **Bagehot's** primary principle has been repeatedly proven in financial crises ever since. In the classic work *Manias, Panics and Crashes*, first published in 1978 and now in its sixth edition, economic historian **Charles P. Kindleberger** reviews the anatomy of financial crises and thoroughly explores the concept of the lender of last resort, determining that "practice preceded theory."⁶ The necessity for a lender of last resort in a crisis was born from repeated crises in the nineteenth century: "The lender of last resort stands ready to halt a run out of real and illiquid financial assets into money by making more money available."⁷

The Panic of 1907: Lessons Learned from the Market's Perfect Storm further illustrates the necessity of a lender of last resort.⁸ Authors **Bruner** and **Carr** trace the origin of the 1907 crisis to the San Francisco earthquake of April 18, 1906. The earthquake damage and subsequent fires created a monumental rebuilding effort that drew gold from the world's financial centers and created a liquidity crisis. The authors argue that this shortage of cash for transactions and business loans caused a recession that started in June 1907. At the time, the United States, like other major countries, was on the gold standard, which limited money creation. Confidence was further eroded by Wall Street speculation and fraud. The immediate trigger for the crisis was the failure of the **Knickerbocker Trust Company**, one of the largest banks in the United States. Its president, **Charles T. Barney**, had been using bank funds in an attempt to corner the market in copper. When the scheme failed, the bank suffered large losses that caused a bank run and forced it into bankruptcy. Doubts about the

soundness of other banks and trusts resulted in anxious depositors lining up to withdraw funds, causing more failures. The money market froze, the stock market fell sharply, and the City of New York almost went bankrupt. This panic occurred in the National Banking Era, when the United States did not have a central bank that could lend freely and halt the panic. The legendary **John Pierpont Morgan** organized a group of leading private bankers and financiers to put up enough money to stop the panic, effectively serving as the lender of last resort. Perhaps ironically, the financial system in 1907 was saved by an ad hoc group of wealthy businessmen, and the crisis led to the establishment of a modern U.S. central bank in 1913 — the Federal Reserve System.

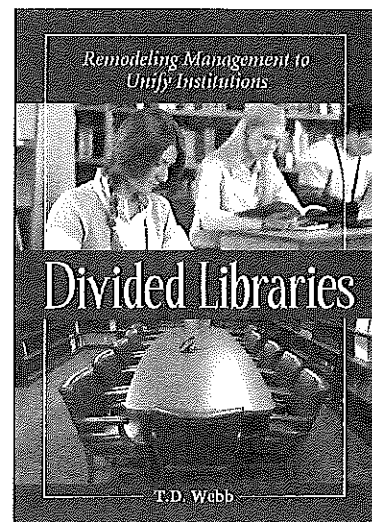
The Great Depression shows what can happen when the lender of last resort fails to act forcefully enough. **Liaquat Ahamed's** *Lords of Finance: The Bankers Who Broke the World* won the *Financial Times* "Best Business Book of the Year" award in 2009.⁹ **Ahamed** recounts how mistakes made by the world's leading central bankers — **Montagu Norman** of the Bank of England, **Emile Moreau** of the Banque de France, **Hjalmar Schact** of the Reichsbank, and **Benjamin Strong** of the Federal Reserve Bank of New York — led the world's central banks to inadequately respond to the Great Depression. Belief in and adherence to the gold standard effectively handcuffed the central banks. **Ahamed** notes: "They failed to fulfill even the most basic central banker's responsibility: to act as lender of last resort and support the banking system at a time of panic."¹⁰ In their economic history of the Depression, *The Great Contraction 1929-1933*, **Nobel Laureate Milton Friedman** and **Anna Schwartz** wrote that **Bagehot's** *Lombard Street* was "the *locus classicus* of central bank policy."¹¹ They conclude that the Federal Reserve could have greatly lessened the severity of the crisis had it fully embraced **Bagehot's** principle.

However, the lender of last resort doctrine presents a paradox: if market participants are confident that the central bank will always introduce funds into the market during an economic crisis, then they are more likely to take on greater risks to generate higher returns, simultaneously producing the next financial crisis. Economists call this condition, clearly illustrated during the recent financial crisis, "moral hazard." *The Financial Crisis Inquiry Report* explains how the large commercial and investment banks — **Goldman Sachs**, **JP Morgan**, **Merrill Lynch**, **Bear Stearns**, **Lehman Brothers**, **Citi**, et al. — engineered the highly profitable mortgage-backed securities and their derivatives that fueled the housing boom, only to become toxic and poison the international financial system when the housing market collapsed in 2007 and many of the securities became worthless.¹² Yet today, banks "too big to fail" are even bigger and the top executives are earning record bonuses while the global economy continues struggling to emerge from the worst recession since the Great Depression.

Bagehot's principle that the central bank must lend freely in a financial crisis is the key to understanding how the Federal Reserve responded to the current economic conditions. As Federal Reserve Chairman **Ben Bernanke** noted in a 2008 speech given at the height of the crisis, "**Walter Bagehot's** *Lombard*

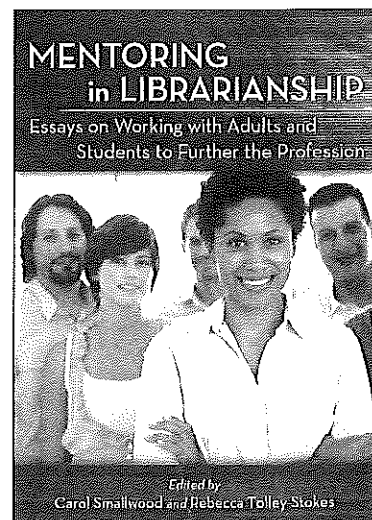
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 **McFarland**



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Street, published in 1873, remains one of the classic treatments of the role of the central bank in the management of financial crises.¹³ As a scholar of the Great Depression, Bernanke was determined to maintain the flow of credit in the United States and also internationally. Perry Mehrling points out in *The New Lombard Street* just how far the Fed has pushed the lender of last resort principle to save the international financial system by extending credit to money market funds, the commercial paper market, asset-backed securities, and even by purchasing mortgage-backed securities to prevent a total collapse of the housing market.¹⁴ The crisis has forced the Fed to become a market maker or, as Mehrling argues, "The Dealer of Last Resort." The lasting influence of Bagehot's *Lombard Street* is clear. It continues to inform economic policy and theory and is a classic, yet ever-current work for a library collection covering economics. This and the other works discussed here offer finance and business students important scholarly perspectives on past, present, and the almost-certain future financial crises. ☞

Endnotes

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Editor's note: An asterisk () denotes a title selected for *Resources for College Libraries*.

Issues in Vendor/Library Relations — FOTB Tallahassee

Column Editor: **Bob Nardini** (Group Director, Client Integration and Head Bibliographer, Coutts Information Services) <bnardini@couttsinfo.com>

When a call went out earlier this year inviting registrations, sponsorships, and papers for a conference called "Future of the Book," in no time most of the back-and-forth email messages settling the details had shorthanded that down to "FOTB." Some acronyms are just naturals. FOTB sounded like a few others already in circulation, and it stuck.

FOTB took place in Tallahassee, Florida, which might not seem like a place where you could work out the book's future. It's the state capital, but who thinks about "Tallahassee," unblest as it is by beaches or by Disney attractions, when Florida comes up in conversation? Who considers Tallahassee the jewel even of the Florida Panhandle, the long, narrow strip of northwest Florida that runs west into Mobile, Alabama, and the site of sunny destinations like Pensacola and Panama City? Tallahassee, instead, is the inland anchor of the Panhandle's less-traveled eastern stem. A friend who years ago went to grad school there used to describe the city as "one-third bureaucrats, one-third students, and one-third rednecks."

Funny, but unfair. Tallahassee might surprise you. I had a good time at FOTB. One night we had a nice dinner downtown at the Mockingbird Café, whose waitress took loving care of us as we enjoyed a good live band and a menu where entrees started at Sauteed Grouper and ended at Tandoori Cornish Game Hen. The next day I wandered into an independent bookstore — the city has several — and came out with two books, both published by Tallahassee's Anhinga Press. Anhinga, starting in the 1970s with local chapbooks, has made a go of poetry ever since. Among its laurels is the annual publication since 2001 of the Levine Poetry Prize book — Philip Levine named a short time ago as the United States Poet Laureate. A memorable line in one of my Anhinga books is the opening stanza from a poem about the convergence of tabloid and mainstream culture, "Denver Man Shot by Golden Retriever."

America runs fictional these days,
my mama says.

FOTB was held at Tallahassee's best known university, Florida State (the city is also home to Florida A&M and Tallahassee Community College), an institution best known for its football team, the Seminoles. FSU might surprise you too, though. At the library school, emeritus professor Wayne Wiegand is the principal biographer of Melvil Dewey. The English Department houses a number of luminaries, most prominently Robert Olen Butler, winner of a Pulitzer Prize for fiction, and also one of my favorite poets, Barbara Hamby (who did not write

the poem above, which can instead be found in *Yellowjackets*, by Patti White). There's an interdisciplinary program at FSU called History of Text Technologies (HoTT), whose range is "cave paintings to personal computers," with courses for graduate and undergraduate students to study anything from "a twelfth-century lyric poet and romancer within the context of the troubadour and romance traditions," to the "biopolitics of postcolonial mobile phone networks," with quite a lot of other ground covered in between this pair of historical moments, as platforms for reading, writing, and communicating have succeeded and superseded, collided and co-existed with one another across the millennia.

The point is that Tallahassee is more than a place where famous football players like Deion Sanders learn their trade. It is also home to the people who make up a vibrant local book community. Since our best clues to the future of the book will have to come from the present of the book, why not Tallahassee?

For two days the present-day book was well represented across the thirty presentations comprising the FOTB program about the book's future. Academic librarians had their say. So did deans, scholars, and students. Publishers stood up, also booksellers and novelists. Consultants spoke. Futurists and technologists looked ahead from their seats for the benefit of the one hundred or so conference attendees. Current library technical services issues were one window into the future. Today's eBooks were of course more frequently called upon as a way to divine what's ahead. E-readers, artist books, textbooks, children's books, and books of other kinds all were examined too.

However FOTB was bookended, so to speak, by two talks which mapped the poles representing what probably amount to the most and least embracing attitudes you could possibly express at an academic conference today, on the notion that the book as we have known it is going away soon if not in some ways already gone. The coordinates of everyone else were somewhere between those of two "featured speakers" at FOTB, Elaine Treharne and Bob Stein.

A professor in the English department and also active in FSU's HoTT program, Treharne spoke early on day one. She specializes in medieval manuscripts and book history and has the kind of scholarly record that gets one invited to become a Fellow of the Royal Historical Society, which had happened to her not long before FOTB. At the podium she switched between the learned manner one would expect from a distin-

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