



**BANK OF ENGLAND**

# News release

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**Press Office**

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

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## **Articles in the Bank of England Quarterly Bulletin, Autumn 2001**

The Bank's latest Quarterly Bulletin, published on Wednesday 29 August, includes the following three research articles:

### **Capital flows and exchange rates**

This article focuses on the possible role of capital flows in explaining exchange rate movements. Some commentators have suggested that a substantial increase in capital flows into the USA could have accounted for the recent appreciation of the US dollar. This could imply that capital inflows have increased in response to a rise in the rate of return on capital, which in turn has reflected the structural increase in US productivity seen in recent years. The article finds evidence to suggest that this may explain part of the recent dollar appreciation, but unsurprisingly it does not provide a full explanation.

### **Public attitudes about inflation: a comparative analysis**

Opinion surveys suggest that the general public in advanced economies is inflation averse but that there is significant variation across countries and over time. Evidence is presented that average inflation aversion is sensitive to factors affecting the expected costs of inflation.

### **Measuring capital services in the United Kingdom**

For many macroeconomic purposes, such as the study of productivity or the assessment of capacity utilisation, measures are needed of the level and growth rate of the productive services that the capital stock is capable of providing. ONS estimates of the capital stock aim to be measures of wealth, not capital services so may not be appropriate for productivity analysis or in measures of capacity utilisation.

This article discusses the theory behind a different concept of capital, called here the volume index of capital services (VICS) and presents estimates of the VICS for the United Kingdom - based on both a five-asset breakdown and an eight-asset breakdown - for the period 1979-99.

## **Note to Editors**

Copies of the Quarterly Bulletin are available from the Publications Group, Bank of England, EC2R 8AH (Tel: 020 7601 4030; Fax 020 7601 3298) or from the Bank's website.

## **Key Resources**

Quarterly Bulletin, Autumn 2001

<http://www.bankofengland.co.uk/archive/Documents/historicpubs/qb/2001/qb0103.pdf>