

**Summary of articles**

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The contents of the articles published during 1971 in Volume 11 of the *Bulletin* are outlined below. The articles are grouped under the following headings:

- Monetary policy, including the New Approach and extracts from the Governor's speeches
- Public sector finance
- Other U.K. financial institutions
- Gold, commodity and security markets
- Flow of funds
- The balance of payments
- Overseas assets and liabilities
- Domestic economy

Off-prints of the articles marked \* are obtainable on request from the Economic Intelligence Department Bank of England London EC2R 8AH.

### Monetary policy

#### Monetary management in the United Kingdom\*

March, page 37

Text of the inaugural Jane Hodge Memorial Lecture, delivered by the Governor in December 1970. Traces the main developments in the banking system since the war and discusses some of the problems faced by the authorities in operating monetary policy in the conditions of the time. Also looks at changing views during the period about the importance of monetary policy and the channels through which it makes its impact. After outlining the authorities' approach in formulating monetary policy, ends by stressing their general responsibility to foster the growth of an efficient and competitive banking system.

#### Expectations, long-term interest rates and monetary policy in the United Kingdom\*

September, page 354

A research paper prepared by M. J. Hamburger of the Federal Reserve Bank of New York while he was temporarily employed in the Economic Section of the Bank of England. The paper examines some of the influences that might be thought to have an effect on the course of long-term U.K. interest rates. The first part shows that it is impossible to detect, from monthly data, any systematic influence of past on present rates. The second part examines some more fundamental determinants of domestic long-term rates. Chiefly as a result of the short-term nature of the data, the only significant influence is found to be the euro-dollar rate, which also seems to be more closely related to the Consols rate than any domestic short-term rate.

### The New Approach\*

#### Competition and credit control

June, page 189

The text of a consultative document, issued on 14th May for discussion with banks and finance houses, setting out the Bank's proposals for new techniques of monetary policy. Describes some impediments to competition associated with the existing quantitative limits on bank and finance house lending and proposes a uniform scheme of reserve ratios and Special Deposits to replace them. Sets out associated (and immediate) changes in the Bank's operations in the gilt-edged market.

#### Key issues in monetary and credit policy

June, page 195

Text of an address by the Governor to the International Banking Conference in Munich in May. Outlines some of the thinking behind the 'New Approach'. It touches first on the changes in the authorities' attitude towards what monetary variable or variables they should seek to influence and the means they should employ; and then explains the desire to move away from a control dependent on ceilings and to create an environment conducive to the free play of market forces in the pricing and allocation of credit. Finally, some further explanation is given of proposed changes in the mechanism and technique of control under the new system.

#### Competition and credit control: the discount market

September, page 314

Memorandum issued to the press on 21st July.

#### Reserve ratios and Special Deposits

Supplement to the September issue

A paper issued on 10th September describing new arrangements for the control of credit (effective from 16th September) agreed with banks and finance houses following discussions on the consultative document 'Competition and credit control'. Sets out the liabilities and assets to be included in the calculation of the new reserve ratios, the basis of calls for Special Deposits, changes in interest rate agreements and transitional arrangements. Separate descriptions are given of the arrangements for Northern Ireland banks, the money market and the finance houses.



**Competition and credit control: extract from a Sykes Memorial Lecture given by the Chief Cashier of the Bank of England in November 1971**

December, page 477

Part of the text of a Sykes Memorial Lecture given by the Chief Cashier to the Institute of Bankers in November. The Chief Cashier discusses the changes in the new approach to the control of credit as they affect the gilt-edged market and the money market. He also explains the more important features of the arrangements made with the banks and finance houses.

**Reserve ratios: further definitions**

December, page 482

Complements the previous article "Reserve ratios and Special Deposits" which described the new arrangements for the control of credit introduced in September. It describes in more detail the various categories of assets and liabilities included in the new reserve ratios observed by banks and finance houses and in the public sector lending ratio observed by the discount houses and other firms doing similar business. Details are given of the actual ratios at 15th September and 20th October.

**The Governor's speeches**

Extracts from speeches made by the Governor to:

The University of Wales, Institute of Science and Technology – Jane Hodge Memorial Lecture (7th December 1970) *	March, page 37
Overseas Bankers Club (1st February)	March, page 83
Bankers' Club of Chicago – "The current international financial picture: the euro-currency market" (27th April) *	June, page 224
International Banking Conference in Munich – "Key issues in monetary and credit policy" (28th May)	June, page 195
The bankers and merchants of the City of London at the Lord Mayor's annual dinner (21st October)	December, page 504
The British-Portuguese Chamber of Commerce in Lisbon (22nd November)	December, page 508

**Credit restraint**

Notices issued by the Bank are reproduced in the following issues:  
June, page 194  
September, page 316

**Public sector finance**

**Distribution of the national debt: March 1970**

March, page 72

Continues the annual series which describes the size and composition of the national debt, its distribution between various types of holders, and the main changes in the previous financial year. The article also includes a short final section showing how, in recent years, an increasing proportion of the cost of servicing the national debt has been offset by interest received on the central government's own lending.

**Other U.K. financial institutions**

**The financial institutions\***

March, page 48;  
June, page 199

Continuing a short series – begun in December 1970 and dealing with insurance companies, pension funds and property unit trusts – which brings earlier articles on these institutions up to date. The present series concentrates mainly on developments during the years 1964-69. These two articles deal with investment and unit trusts; and the importance of the institutions in the main security markets, extending the period covered to 1970.

**Gold, commodity and security markets**

**Acquisitions and mergers by financial companies\***

September, page 349

Introduces a new series of quarterly statistics of acquisitions and mergers by financial companies within the United Kingdom. It complements the figures for industrial and commercial companies published by the Department of Trade and Industry. The article includes tables analysing transactions by type of acquiring company, by type of company acquired and by category of expenditure.

**Flow of funds**

Details of the regular quarterly analyses of financial statistics are given in the index to this volume.

**The balance of payments**

**Invisible earnings enquiries\***

September, page 338

Explains the programme of regular enquiries which the Bank are conducting into the overseas earnings of the banks, the Baltic Exchange, the protection and indemnity clubs, the investment trusts, the London Stock Exchange, Lloyd's Register of Shipping and some of the professions. The results of completed enquiries are compared with the surveys carried out by the original Committee on Invisible Exports during 1966 and 1967.

**Overseas portfolio investment: the Bank of England's enquiry into transactions in sterling securities\***

December, page 497

Describes the Bank's recently established enquiry among banks and brokers to improve the portfolio investment statistics in the balance of payments accounts and comments on the results to date. Quarterly figures are shown of overseas investment in the sterling securities of U.K. companies and U.K. investment in overseas sterling securities for the period from the introduction of the enquiry at the beginning of 1969 to the end of the third quarter of 1971.

**Overseas assets and liabilities**

**An inventory of U.K. external assets and liabilities: end-1970\***

June, page 211

Carries forward to the end of 1970 earlier estimates of U.K. external assets and liabilities, and examines changes during 1970.

**The euro-currency business of banks in London: maturity analysis as at end-February 1971\***

June, page 218

The results of an enquiry into the maturity structure of U.K. banks' euro-currency books as at February 1971. It carries forward the information set out in a general article describing the euro-currency market in London which appeared in the *Bulletin* for March 1970 and was updated in the *Bulletin* for December 1970.

**The current international financial picture:  
the euro-currency market\***

June, page 224

Extract from the Governor's speech in April to the Bankers' Club of Chicago. Reviews the history and prospects of the euro-dollar market, examines various criticisms of the market (including some misconceived ones), and argues in favour of domestic rather than international regulation of the market.

**Domestic economy**

**Capital utilisation in manufacturing industry\***

December, page 490

Introduces an index developed in the Bank of capital utilisation in manufacturing industry. The article describes the assumptions made and the method of calculation. A table of the index from 1955 is given. Comparisons are made with unfilled adult vacancies and unemployment, and these are illustrated by charts.