

Summary of articles

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The contents of the articles published during 1972 in Volume 12 of the *Bulletin* are outlined below. The articles are grouped under the following headings:

- The Bank of England
- Monetary policy, including extracts from the Governor's speeches
- Public sector finance
- The British banking system
- Gold, commodity and security markets
- Flow of funds
- The balance of payments
- Overseas assets and liabilities
- Overseas trade and finance for exports

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

The Bank of England

The use of quill, patent and steel pens by the Bank of England during the nineteenth century*

June, page 208

Between 1800 and 1820 the annual expenditure by the Bank on quill pens was large and led the Bank in 1822 to introduce a patent pen invented by Joseph Bramah. This used quills cut into pieces to form nibs fitting into a penholder and was expected to effect a saving of 50%. But it was not an unqualified success and steel nibs soon became predominant, although the Bank were still purchasing quill pens as late as 1907.

Monetary policy

The demand for money in the United Kingdom: a further investigation*

March, page 43

This research paper continues the investigation in "The importance of money" (June 1970 *Bulletin*, page 159) into the determinants of the private sector's demand for money. It supports the view that, in their holdings of money balances, companies respond more quickly than individuals to changes in interest rates. It suggests both that sharp fluctuations in interest rates would be necessary to bring about sudden adjustments in the growth of monetary aggregates and that, when real incomes are rising, increases in money may need to be greater than increases in incomes if they are not to be restrictive.

The future development of financial institutions*

September, page 364

Text of an address given by the Governor of the Bank to the Bank of England and University of Bradford Conference in June 1972. Notes changes in city institutions over the last twenty-five years and looks ahead to their future development in the setting of the U.K. entry into the European Economic Community, possible reforms to the international monetary system, and greater competitive pressures at home. Discusses the need, in such a labour intensive sector, for intelligent forward planning in the field of manpower planning, management development, and training, if smooth progress is to be made towards technical innovation and change.

Summary of a research paper on substitution among capital-certain assets in the personal sector of the U.K. economy 1963-71

December, page 509

Describes a research paper prepared in the Bank's Economic Section. This examines the readiness with which investors in the personal sector switch between holdings of money and other liquid assets. The degree of substitution between these assets suggests which of them it is appropriate to group together and call "money", and is crucial for any assessment of the transmission mechanism by which monetary influences affect expenditure. The paper is technical, and largely devoted to the solution of the many problems which arose in the estimation of the model proposed.

Copies of the paper may be obtained from the Bank at the address given above.

The Governor's speeches

Extracts from speeches made by the Governor to:

- The City and Europe Conference in London (8th December 1971) March, page 80
- Finance Houses Association in London (11th January) March, page 86
- The 10th International Savings Bank Congress in London (25th April) June, page 226
- The 19th International Monetary Conference in Montreal (12th May) June, page 234
- Bank of England and University of Bradford Conference in London—"The future development of financial institutions" (6th June)* September, page 364
- The bankers and merchants of the City of London at the Lord Mayor's annual dinner (19th October) December, page 514

Bank lending

September, page 327

The text of a letter sent by the Governor to the banking system on 7th August.

Public sector finance

Distribution of the national debt: March 1971

March, page 64

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 final section reviewing changes over the period from March 1966 to March 1971.

The British banking system

Changes in banking statistics*

March, page 76

Explains several interim modifications in the presentation of banking statistics following the new arrangements for the control of credit introduced in September 1971, including the presentation of figures for the main assets and liabilities in the same form for all banks. Introduces new monthly series and new seasonally adjusted series for the money stock.

Seasonal adjustment of the quarterly analysis of bank advances*

June, page 220

Gives quarterly changes in advances by banks in Great Britain by category of customer during 1967-71, before and after seasonal adjustment.

Banking mergers and participations

December, page 452

The text of a press notice issued by the Bank on 16th November.

Sterling certificates of deposit*

December, page 487

Describes the certificate and the primary and secondary markets, and analyses developments in the markets in the four years since the certificates were first issued.

New money stock tables

December, page 512

Introduces new tables in the statistical annex showing components of the money stock and influences on it, and includes an explanation of how changes in the money stock can be analysed by looking at changes in the assets of the banking sector.

Gold, commodity and security markets

Yield curves for gilt-edged stocks*

December, page 467

A research paper prepared in the Bank's Economic Section. The first part explains the relation between economic theory and market views: the former expressed in terms of investors' expectations, decision periods and "preferred habitats"; the latter in terms of switching opportunities. The second part elaborates the theory to explain differences in yields it can be tested, taking account of the U.K. tax regime and segmentation of the market. The third part contains the results of using the theory to explain differences in yields of individual stocks and develops a new type of yield curve. This—the par curve—measures as closely as possible the rate of interest on a new issue at par. Appendix 2 contains the formulae used in the computer program for fitting the curves.

Flow of funds

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

National balance sheets: a new analytical tool*

December, page 496

The first part sets out the case for the compilation of levels of assets and liabilities by sector as a complement to flow of funds statistics. Explains certain general problems of compilation and describes the work done so far in the United Kingdom. A second section, covering the deposit banks as a group, gives integrated quarterly balance sheet and flow accounts for 1963 to 1970, together with notes on definitions, sources and methods.

Balance of payments

The balance of payments in the inter-war period*

September, page 345

A research paper in two sections, reviewing the balance of payments statistics during the inter-war period. Section 1 describes the inadequacy of the statistics then available, with reference to some of the economic events of the period and to occasions when better information might have modified the direction or timing of monetary policy. Section 2 deals with the various items in the balance of payments individually, showing their scope and how contemporary estimates for them were developed.

Overseas assets and liabilities

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

March, page 56

The results of an enquiry into the maturity structure of U.K. banks' euro-currency books as at October 1971. The Bank keep a close watch on the development of the euro-currency markets and call upon the London banks to complete returns: this analysis updated those which appeared in the March 1970, December 1970 and June 1971 issues of the *Bulletin*.

An inventory of U.K. external assets and liabilities: end-1971

June, page 213

Continues the annual series of estimates of U.K. external assets and liabilities, giving figures for the end of 1971 and looking at changes during that year. Provides, for the first time, a separate estimate of the U.K. liquidity position.

Overseas trade and finance for exports

The finance of medium and long-term export and shipbuilding credits*

June, page 205

Describes the new refinance arrangements agreed between the London and Scottish clearing banks, the Export Credits Guarantee Department, the Department of Trade and Industry, H.M. Treasury, and the Bank of England, which came into force on 16th March, replacing those introduced in May 1969.