The Bank of England

1950s to 1979

FORREST CAPIE

Cass Business School, UK

1 CAMBRIDGE UNIVERSITY PRESS

Contents

List	of	Illustrations	••	page xi
List	of'Figures-		. •	xiii
List	of	Tables	i.'	XV
	•			
For	eword by Mer	xvii		
Pref	ace	xix		
Ack	nowledgement	s		xxiii
Abb	reviations and	Acronyms		xxvii
1.	Introduction and Overview .		1	
	Some Overvi	ew		1
	The British E	conomy		7
	Monetary Background			14
	Some Theoretical Positions and Prevailing			
	Practices			17
	Monetary Gr	owth Process	'	27
2.	The Bank in	the 1950s		32
	Constitution	and Structure		34
	Personnel			42
	Objectives ar	nd Functions		56
	Financing th	e Bank and Financ	ial Performance	64
3.	The Moneta	ry Setting and the	Bank .	77
	Antecedents:	Old and New Or	thodoxy	77
	Establishmer	nt of the Radcliffe	Committee	86
	The Bank Ra	ite Leak and the Pa	arker Tribunal	90
	Radcliffe; Pro	oceedings		100
	Radcliffe: Fin	ndings and Recom	mendations	112

viii Contents

	Reaction and Response			116
	A Brief Assessment			.134
4.	The Bank's External Responsibilities to 1964			138
	Origins of the Pegged Rate System			139
	Convertibility			149
	Gold Control Book and International Communication			157
	Central Bank and International Co-operation Cobbold Leaves; Cromer Appointed Governor			162 166
	From Crisis to Crisis "			169
	Euromarkets .			182
	Gold Pool .			187
_				
5.	From Crisis to 'Crucifixion' The Next Sterling Crisis '			193 197
	Continuing Crisis •, ;		•	207
	Washington Initiative -			213
	Planning for Devaluation			217
	Sterling Balances and Gold	•		221
	Cromer Leaves			225
	Central Bank Assistance			227
	Preparing for the Inevitable			235
6.	Domestic Monetary Policy after Radcliffe	>		252
	New Techniques: The Special Deposits Scheme	,		253
	Crisis to Crisis, 1957-1961 •	"	2	5 7
	Brakes Off, 1961-1964			270
	Back to Ceilings, 1964-1967			290
	New Techniques: The Cash Deposits Scheme			305
7.	Other Activities and Performance			318
	Industrial Finance			318
	The Bank and the City			327
	Promoting Central Banks Overseas			334
	The Note Issue and Decimalisation			340
	The Bank's Financing			346
	External Investigations			354
	Internal Organisation and the Court			360
8.	Sterling from Devaluation to Smithsonian			372
	Sterling Devaluation and Beyond			374
	Crisis in Gold			393
	IMF Conditions - DCE Targets		'	396

Contents. ix

	Personnel Changes ,	• '	403
	Sterling Agreements .		405
	Measures for Protecting Sterling		413
	International Monetary Reform		419
	Euromarkets .		423
9.	The Road to Competition and Credit Control		427
	Disaffection with Controls		427
	The Clearing Banks: Mergers, Competition, Cartels, -		
	and Reform	•	439
	Money and Monetary Control		447
	Early Interest in Monetary Aggregates • .		452
	Ten Years after Radcliffe .		459
	Importance of Money '•		463
	Gilt and Money Markets '. '		468
10.	Competition and Credit Control • '		483
	Formulating the New Approach •		484
	Changes in Market Operations		492
	CCC Unveiled		499
	CCC in Operation		508
11.	The Secondary Banking Crisis	J	524
	Early Indicators of Trouble		525
	The Developing Crisis and Launching of the Lifeboat		531
	The Lifeboat and After		547
	Three Rescues		556
	Assessment		572
12.	Banking Supervision		587
	Supervision in the 1950s and 1960s		588
	Pressure from the, Fringe: Pressure		
	from Europe		598
	Aftermath of the Crisis		605
	Prudential Returns		611
	Towards Legislation		616
	International Supervisory Co-operation		625
	The Banking Act (1979)		629
13.	Monetary Targets and Monetary Control		644
	Talking about.Monetary Targets		645
	Monetary Targets		657
	Trying to Influence Monetary Growth		672

Contents

	Interest-Rate Flexibility	679
	Open Market Operations	.689
	Monetary Control	695
	Conclusion	' 702
14.	The Bank and Sterling in the 1970s	707
	The Exchange Rate and Exchange-Rate Policy	710
	Reserves	721
	Sterling Balances	732
	International Monetary Reform: Committee of Twenty	737
	1976 Crisis	740
	The Crisis and the End of Sterling Balances	756
	Changing Fortunes	759
	The End of Exchange Controls .	766
15.	The Bank's Freedom to Operate;	773
	London as an International Financial Centre	780
	The Rolls-Royce Crisis	785
	Burmah Oil	791
	Industrial Finance	801
	The Bank under Scrutiny	808
16.	Epilogue	823
Bibliography		835
Index		