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THE MONETARY SEMINAR, 18TH JULY

A sizeable number of papers were prepared for the Monetary Seminar, which took place on 18th July. The main papers of this set have been collected together and are herewith circulated for the information of the recipients of the Financial Report.

In case any of the recipients of this note are unaware of the background, Ministers, and especially Treasury Ministers, have expressed a keen concern with the mechanisms of monetary control, and have displayed a particular interest in those techniques with the generic title of monetary base control. Accordingly a high level seminar was arranged for the Governor, Ministers and officials to discuss such topics on 18th July. This meeting did not come to the notice of the Press, and the occurrence of the meeting itself should be treated as strictly confidential. In addition the attached papers contain information classified as secret, e.g. on the Bank's future intentions for the present Reserve Asset Ratio.

The papers may be divided into three groups, representing internal Bank briefing, HMT papers with accompanying Bank commentary and Bank commentary on external academic papers, respectively. There are four papers in the first group. Of these the first is a broad philosophical and analytical cover note by JSff; the second represents the main brief for the meeting; the third provides a guide and speaking notes on the Monetary Base. If there was to be a move towards some version of monetary base control, a preliminary step would be the abandonment of the present reserve asset ratio. There are other, some will add more cogent, reasons for doing this anyhow, and the fourth paper sets out the arguments for this course.

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The second group of papers opens with a short note by HMT (mainly Bridgeman) presenting the immediate outlook for monetary policy. This is supported by a second HMT note (X6) (mainly Middleton and Riley) on various schemes for monetary base control. Two internal papers, by MDKWF and CAEG, were prepared commenting on this paper.

The fourth group of papers includes the Bank commentaries on certain academic studies on the subject (mainly) of monetary base control by Griffiths, Pepper and Wood. The latter two articles have been published; Griffiths' paper, some 60 pages, can be obtained on request from MDKWF or CAEG.

The above does not nearly exhaust the full list of external academic contributions on this subject over the last year (e.g. Duck and Sheppard, Congdon) - on most of which Bank comments have been written: but it does cover those most topical at the time of the Seminar.

Perhaps most important of the papers before the Seminar but not appended here are, of course, the two June BEQB articles on the Gilt Market and Monetary Base, but you are assumed already to have read those.

20th July 1979.

C.A.E. Goodhart