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Financial deregulation and the role of statecraft: Lessons from Britain's 1971 Competition and Credit Control measures

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Financial deregulation and the role of statecraft: Lessons from Britain's 1971 Competition and Credit Control measures

Within the financialisation literature, a number of approaches identify the coexistence of financial expansion and productive stagnation. Yet there is no consensus on which direction causality operates between these two phenomena. This impasse has been widened by the lack of attention paid to the role of statecraft strategies in mediating possible causal mechanisms. This article contributes to rectifying this shortcoming by focusing on the governance advantages granted to states through financial deregulation. By presenting archival evidence on Britain's 1971 Competition and Credit Control deregulation, this article lends support to financialisation accounts that argue that weaknesses in the productive economy spurred financial expansion, yet it also indicates that the state's desire for depoliticised forms of governance played a crucial role in mediating this relationship. This further suggests that IPE should focus on the *strategic* manner in which states relate to markets.

Introduction

Panitch and Konings observed in 2009 that '[i]f a single root cause has predominated in explanations of the current global financial crisis, it is "deregulation"' (67). Yet financial deregulation is often now taken as the point of departure, from which to

explain the consequent changes in state/market dynamics; rather than close attention being paid to the perceived governing advantages that motivated deregulation in the first place. This latter puzzle is the key focus of this article, and is of great political significance. Hillary Clinton's struggle in reconciling the paid speeches she gave to Wall Street with her candidacy in the 2016 Democratic primaries is a good example of how one explanation of financial deregulation – state capture by financial elites – has become a serious concern for the US electorate (*NYT* 2016). Indeed, diagnoses of the causes of financial deregulation have great bearing on the question of 'what is to be done?'; that is, stronger state insulation from financial lobbying, closing the revolving door between the financial sector and government, or a more radical reimagining of social relations.

This article begins by arguing that within the financialisation literature there exists a strand that focuses on the relationship between real economy stagnation and financial expansion. There is no consensus on the direction of causality between these twin phenomena, with *expropriation* accounts arguing that the bloated financial sector has sapped resources from industry, while *crisis resolution* accounts insist weaknesses in the productive economy have necessitated financial expansion as a palliative. A major shortcoming in this literature is the lack of attention paid to state governance strategies, despite financial deregulation playing a central role in the narratives of both approaches. This mirrors a broader problem with how IPE - of both the dichotomous 'states and markets' and neo-Gramscian-inspired variants - has traditionally understood state/market relations. It will be argued that this financialisation debate would greatly benefit from an engagement with the literature on depoliticisation and crisis – a trail blazed by Krippner (2011). By taking statecraft seriously we can gain further insight into how states have used financial deregulation

to insulate themselves from political criticism. This will shed light on the validity of the *expropriation* and *crisis resolution* explanations, as well as providing a clearer understanding of the strategic nature of state/market relations.

In order to examine the relationship between financial deregulation and statecraft, this article will analyse Britain's 1971 Competition and Credit Control (CCC) measures. CCC revolutionised monetary policy by shifting emphasis away from quantitative restrictions on bank lending and towards interest rates. In the process, the government dismantled the majority of its direct controls on banks, leading CCC to be characterised as perhaps the first major financial deregulation of the postwar era (Buckle and Thompson 1992: 43). By all accounts, this was a disaster: bank lending to the private sector rose from £1.9 to £6.4 billion in a single year, an enormous property bubble emerged, and the Secondary Banking Crisis struck in 1973 (Wilson Committee 1980: 7). Yet rather than rehearse the story of CCC's failure, this article will draw on evidence from the National Archives and the University of Warwick's Modern Records Centre to analyse the reasoning behind the Treasury's passing of this deregulation. It will be argued that it was the intensifying economic stagnation, expressed as a personal borrowing boom and a crisis of company liquidity, that demonstrated to the Treasury that the existing monetary controls were unsuited for maintaining a balance of payments surplus. The lending ceilings could neither effectively redistribute credit from individuals to companies nor hide the state's hand in the process. The Bank of England's (referred to here as the Bank) CCC proposal, by allocating credit according to ability to pay higher interest rates, promised to both channel financial resources away from consumers and towards exporting firms, and to mask the state's role in the process. It was this combination of functional and depoliticising advantages that led the Treasury to accept CCC.

Two important conclusions for IPE can be drawn from this case. Firstly, the evidence presented here, while insufficient to dismiss the broader claims of the *expropriation approach,* does support the *crisis resolution* claims that deregulation was a response to the dwindling of postwar prosperity. However, secondly, the case of CCC demonstrates the importance of taking statecraft seriously as an explanatory factor. The state did not automatically deregulate finance at the first sign of crisis. Instead, deregulation resulted from the state's search for a form of governance that could depoliticise the state's role in managing crisis, by outsourcing the enforcement of financial discipline to the price mechanism. This suggests - in the same manner as Krippner (2007) - that IPE should focus on how states relate *strategically* to markets, rather than remaining preoccupied with the illusory notion of the state/market tug of war.

Financialisation and the role of statecraft

Since the 1990s, the term financialisation has been used to describe a great variety of phenomena, as well as projected into the past to characterise older theories. The purpose here is not to provide a more or less comprehensive overview of this large body of literature, but instead to examine a specific strand of this literature that is concerned with the causal relationship between economic stagnation and financial profligacy. A number of approaches within the broad rubric of financialisation have recognised the coexistence of two important trends in advanced capitalist economies since the 1970s: the slowdown of growth in the real economy, evidenced by low rates

of fixed capital investment and relatively weak GDP growth; and the expansion of the financial sector, reflected in the proliferation of financial instruments and the inflation and bursting of credit bubbles (van Treeck 2009). Yet there is a sharp disagreement on the direction of causality between these two phenomena. These approaches can roughly be grouped into two categories: *expropriation*, which claims that financial expansion has weakened the real economy; and *crisis resolution*, which proposes that the weaknesses in the real economy have provoked financial expansion.

Scholars advancing the *expropriation* thesis have tended to argue that a significant transformation in corporate strategy has taken place since the 1980s, away from long-term fixed capital investments and towards short-term measures to keep stock prices rising. In pursuit of this objective, companies ploughed retained earnings back into their own stock and increased dividend payments to shareholders, draining the reserves available for future investment (Stockhammer 2004; Lazonick 2011). Furthermore, earnings that were reinvested became increasingly directed towards short-term financial assets, such as securitised debt. Income streams based on this interest-accruing activity began to outpace traditional returns from fixed investment (Orhangazi 2008). As Crotty (2003: 2) argues, the net result of these developments has been the restructuring of the non-financial corporation from 'an integrated combination of illiquid real assets' to a '"portfolio" of liquid subunits that … management must continually restructure to maximise the stock price'. Financialisation, as such, constitutes the 'parasitic' transfer of rents from productive to financial capital (Duménil & Lévy 2002: 62).

Crisis resolution approaches posit causality in the opposite direction. There are two different chains of causation proposed in this literature: one in which finance props up effective demand, and the other in which finance supports stagnating production.

The first explanation relies on the existence of a contradiction within capitalist society between economic uncertainty/instability and the need for 'confident mass consumers' (Crouch 2009: 320). Following the inflationary crisis of the 1970s, a new strategy to alleviate this contradiction emerged, namely 'privatised Keynesianism' (Crouch 2009) or what Hay et al. (2008) termed 'house price Keynesianism'. This consisted chiefly of the extension of private credit instruments to working people, especially cheap mortgages, in order to stimulate consumption and assuage the social conflict arising from the wage repression of the neoliberal era (Crouch 2009; Watson 2010; Streeck 2011).

The second type of *crisis resolution* explanation focuses on the weaknesses of productive capital. For Arrighi (2010), this is a historically recurrent phenomenon that characterises the moment in which hegemonic capitalist economies reach the end of their lifecycle. The Marxian-Kaleckian school claims that, during the era of 'monopoly capitalism', massive barriers to market entry cause stagnation in fixed investment, and surpluses are instead channeled into financial assets (Bellamy Foster 2007). Alternatively, other Marxist scholars argue that the falling rate of profit on productive investments[1] has triggered an expansion of credit as a palliative measure, as well as the shifting of corporate investment funds from fixed capital to more profitable financial assets (Brenner 2006; Kliman 2012). Common to these diverse approaches is the notion that the frenzied expansion of finance has served as a 'temporal fix' to the underlying crisis in capitalist production, by postponing the crisis into the future (Harvey 2006).

The greatest shortcoming of the *expropriation* and *crisis resolution* approaches is their treatment of the state. The problem is not that the state is absent and needs to be 'brought back in' (Evans et al. 1985; Helleiner 1995). State action, via financial

deregulation, is a crucial mechanism through which causality operates in both accounts. Rather, the problem is that the state is simply understood as a conduit for economic forces and elite interests, instead of an important strategic actor in its own right. More specifically, insufficient attention is paid to 'statecraft' - the governance strategies through which states seek to achieve their policy objectives without sacrificing their legitimacy (Bulpitt 1986: 21). Bulpitt's statecraft thesis focuses on the 'Court' – defined as the Prime Minister and their friends and advisors (Buller 1999: 694). The Court, Bulpitt argued, strategises so as to achieve a degree of 'governing competence' over economic activity while also securing their (re)election (Bulpitt 1986: 22). Despite the fact that Bulpitt focused on political leaders, the concept of statecraft has consequently been used to analyse the strategic machinations of less senior politicians and even unelected officials operating within the Treasury and Bank (Rogers 2009; Burnham 2011). Yet central to all statecraft analyses – and conspicuously missing from the financialisation literature's treatment of the state – is a focus on state actors' attempts to strategically reconcile two objectives: legitimacy and governability.

From an *expropriation* perspective, Stockhammer (2004; 2016) argues that financial deregulation was part of a wider political project that favoured profit-hungry shareholders over prestige-oriented corporate managers. In accordance with this, Crotty (2009: 564) insists, 'radical deregulation [was] pushed by financial institutions and justified by efficient financial market theory'. Duménil & Lévy (2004: 69) go as far as to characterise the 1979 Volcker shock as a 'coup' by financial elites. However, these bold claims of state capture are presented with little historical evidence. Davis and Walsh (2016: 14) attempt to fill this gap by drawing on interview and archival material to propose that the British state's pro-finance stance constituted a 'slow,

staged coup' against domestic industry. This arose because Thatcherite ideologues with previous City careers began to colonise the Treasury, which in turn gained greater power over the Department of Trade and Industry. This echoes Baker (1999: 84-6), who emphasises that the British state's deregulatory agenda is best explained by reference to the 'reconfiguration of the social basis of the state', whereby groups such as the CBI were 'increasingly excluded from policy discussions' at the expense of City institutions. Financial deregulation, then, is usually explained by *expropriation* accounts as resulting from the growing power of financial actors to influence policy.

Crisis resolution approaches, on the other hand, explain the government's motivation in promoting finance as arising from two sources. Firstly, leading capitalist states reacted quite automatically to the crises of industrial stagnation and global hegemony by freeing up excess funds through credit market deregulation (Brenner 2002: 40-42; Arrighi 2010: 326). Secondly, by 'pulling forward future resources into [the] present', financial deregulation constituted a 'strategy of social-conflict management', whereby various sectors of society could be appeased with lax credit rules (Streeck 2011: 12-17). While this moves beyond the *expropriation* view of the state as a reflection of factional struggles, the state is still conceived as a primarily reactive entity. States are understood to face external imperatives from markets, to which they must react accordingly; such that there is little consideration of how changing statecraft strategies blur the line between political and marketised governance. Krippner (2011), with her focus on the US authorities' experimentation with financial deregulation as a way to insulate policy-making from scrutiny, is the only exception to this trend.

This inattention to statecraft reflects a more general shortcoming with how certain

influential IPE approaches have theorised state/market relations. Despite the radical orientation of the authors, many *crisis resolution* approaches, with their emphasis on the external market imperatives faced by states, reproduce a politics/economy dichotomy similar to that found in the more mainstream IPE works of Gilpin (1987) and Strange (1997). States and markets are demarcated as relatively self-enclosed entities which represent opposed modes of social organisation. States may yield control of certain spheres under pressure from market imperatives, or they may seize control of previously privatised spheres, but as Clift (2014: 32) writes, in both scenarios one 'predominates at the other's expense'. For example, while Strange (1994: 213) admits that the US' drive to deregulate financial markets arose from a strategic desire to shore up US structural power, the result was an unambiguous, 'self-inflicted' loss of power to markets - an own goal of sorts. The delegation of authority to market forces is not itself analysed as a possible goal of state strategy.

On the other hand, *expropriation* accounts of state capture by economic elites echo the claims of neo-Gramscian scholars. Alongside Strange's writings, this approach is amongst the most important strands of critical IPE (Cohen 2007). Scholars in this tradition attempt to transcend state/market dualism by noting their mutual constitution, yet in the process they effectively reduce the state to an expression of the fractional struggles within the capitalist class (Van der Pijl 1989; Burnham 1991). State/market antagonisms are understood as tensions between local and transnational fractions of capital, such that Strange's theory of power being transferred from states to markets is replaced by the notion of a redistribution of power between different capitals. The state's importance as a strategic actor is therefore diminished. Even Underhill's sophisticated conceptualisation of states and markets as different aspects of the same 'integrated ensemble of governance' tends to fall back on this pluralist

state theory, in which social actors compete for the role of state puppeteer (2000: 807).

The problem with both of these lines of argument, as they exist in financialisation debates and IPE discussions of state/market relations, is that they take the state seriously only insofar as it is a vessel buffeted by market forces or colonised by economic interests. The task of studying statecraft itself is thus rendered non-essential.

Depoliticised statecraft

This impasse can be overcome by focusing on how financialisation has been mediated by the statecraft of depoliticisation. This idea has recently gained traction amongst IPE scholars. Lagna (2016) examines how the Italian state has used derivatives to extend its control over the economy through a financialised, and thus seemingly non-political, avenue. Similarly, Major (2012: 537) argues that governments have attempted to mask their responsibility for economic management through the 'movement of regulatory activities into technocratic, insular institutions'. Yet neither work references the extensive literature on depoliticisation, of which there is arguably already a 'second wave' (Hay 2014).

Depoliticisation is a concept that has been operationalised to explain a host of different phenomena across a variety of social science disciplines. However, common to all is a focus on the process of removing the 'politics' from a specific sphere of social life. Wood and Flinders (2014) provide a useful summary of the varying interpretations, which they categorise into three broad groups: governmental, societal

and discursive. This article, which focuses on the depoliticisation strategies consciously employed by state actors, will draw on literature that generally falls into the first category (governmental). As a statecraft strategy, depoliticisation refers to a form of governance in which state actors seek to reconcile legitimacy and governability objectives by *seemingly* emptying economic policy of its political content, so that it appears to be a purely technical affair. Bulpitt (1986: 28-32) writes that the discipline of governance requires state authorities to gain a certain autonomy from the pressures of various sections of society by seeking to establish 'automatic rules or pilots' that allow for the 'euthanasia of politics'. The goal of depoliticisation is to place 'at one remove the political character of decision-making' so as to allow the state to achieve its policy goals in a more insulated and effective manner (Burnham 2001: 128). When this strategy is successful, the authorities can hope to attain credibility in the eyes of global financial markets, reduce the burden of policy-making through delegation, and avoid blame for policy failures (Flinders and Buller 2006: 296).

Depoliticisation is particularly useful for explaining statecraft in the context of economic crisis (Donmez 2014). Kettell (2008: 631) points out that governments of democratic capitalist polities must reproduce the conditions for profitable capital accumulation, while displaying 'at least a semblant of a connection to the views and wishes of the electorate'. This is referred to by Watson (2009) and Rogers (2013) as the contradiction between 'accumulation' and 'legitimation'. When capital accumulation falters, as in the 'generalized austerity characteristic of the neoliberal era', this dilemma is intensified - the state must both manage a lackluster economy and avoid blame for this poor performance in the eyes of the electorate (Krippner 2007: 479). As Rogers (2009) explains, this contradiction encourages the state to

depoliticise economic management, and thus achieve adequate political cover to discipline labour and boost the competitiveness of the national economy on the global stage. If post-crisis economic restructuring, with its attendant pains, appears to be the result of discretionary policy decisions, then the governing administration can expect to pay at the polls or even provoke a more serious crisis of state legitimacy. Depoliticisation, then, can be seen as vital governing strategy in times of crisis.

The literature on depoliticisation provides IPE with a powerful analytical tool for understanding statecraft in the context of financialisation. Krippner (2011) seized on this observation in a groundbreaking work, arguing that what some commentators have understood as the 'retreat of the state' through financial deregulation and monetary policy independence is better understood as a strategic move towards a regime of depoliticised governance. In the same vein, Burnham (2011) analysed Britain's adoption of a partly-marketised interest rate in 1972. He concluded that rather than ceding power to markets, this decision constituted a deliberate strategy to exercise state power *through* depoliticised channels. This focus on statecraft aids in adjudicating between the competing claims of *expropriation* and *crisis resolution* interpretations of financialisation, insofar as they relate to the state, by overcoming the neo-Gramscian state capture thesis implicit in the former and the automaticity and politics/economy dualism that characterises the state's reaction to crisis in the latter.

In addition, this approach eschews the unitary vision of the state that is characteristic of the aforementioned approaches. As Mitchell (1991: 78, 86) correctly notes, one should not overstate the 'coherence, unity and absolute autonomy' of the state as a 'self-willed entity'. While the notion of 'state' is obviously central to conceptions of *state*craft, the analysis itself necessitates moving beyond this degree of abstraction to a more concrete focus on the (often conflicting) political strategies

employed by actors in different branches of the government. The state is thus not accepted as a static, unchanging whole. Rather, the study of depoliticisation tracks how the contradictions of governance lead political elites to redraw the boundaries of state authority. As such, the concept of depoliticisation refers to the process of state (re)making itself. This in turn creates space for a distinctly strategic understanding of state/market relations within IPE. The intentional blurring of the lines between political and market authority implied by financial deregulation serves to give political actors cover in times of recession. The marketisation of spheres that were formally subject to overt state control represents the strategic *outsourcing of discipline* from elected representatives and civil servants to abstract notions of 'global economy' or 'world market'.

The remainder of this article will examine the utility of this approach by focusing on the governance dilemmas and perceived resolutions that motivated the state's adoption of the 1971 CCC deregulation.

Historical background: From devaluation to CCC

The CCC deregulation was introduced in autumn 1971, yet this radical shift in financial governance had its roots in the 1967 sterling devaluation. In November 1967, Harold Wilson's Labour government devalued sterling from $2.80 to $2.40,

following the escalating costs of imperial military expenditure, excessive private investment abroad, and a worsening trade performance expressed in a balance of payments crisis (Clarke and Pulay 2012: 53). In aid of devaluation,[2] Labour also introduced a package of austerity measures, which included tax increases, public expenditure cuts, and a tightening of monetary policy. This last policy became the centrepiece of the government's attempt to restructure Britain's increasingly stagnant economy. The authorities had six monetary tools to achieve this: liquidity controls; hire-purchase controls; open market operations; Bank Rate; special deposits; and lending ceilings (see Needham 2014: 14-18). It was the lending ceilings - a combination of formal and informal requests for banks to keep their total lending below a certain level - that acted as the front line of this complicated system.

Yet less than four years later, during the rule of Edward Heath's Conservative government, and with monetary tightening still imperative, the authorities revolutionised this regime with the introduction of CCC. In contrast to the complex array of government-operated controls, CCC represented a stripped-down system that functioned largely through market mechanisms. Lending ceilings, hire-purchase controls, and the clearing bank cartel were abolished. Banks' interest rates were no longer directly linked to Bank Rate, but were instead allowed to move as banks wished, although broadly in line with Bank Rate. Bank Rate itself was soon replaced by the Minimum Lending Rate (MLR), a partly-marketised mechanism (Moran 1984). In short, the state ceased to impose a preferential system of credit distribution upon the banking sector, instead allowing the market to allocate credit to whoever could pay the highest interest rate.

In explaining this policy transformation, the existing literature focuses on the Bank, which played the predominant role in formulating CCC. It is possible to discern three

key factors behind the Bank's decision in the existing literature. Firstly, British policy-makers became increasingly open to monetary targeting following a £1.4 billion IMF loan in 1967 and its attendant conditionalities. This began with a 1968 IMF seminar in London on the centrality of monetary targets and led to the formation of the Money Supply Group and the Monetary Policy Group within the Bank (Clift and Tomlinson 2012; Needham 2014). Secondly, as the money supply increased rapidly, clearing banks began to lose market share to institutions offering higher interest rates (Gowland 1978: 84). This threatened the Bank's monetary governance, because they used the clearing banks as an intermediary through which to transmit monetary policy to the entire banking system (Needham 2014: 30-1). By abolishing the cartel, the clearing banks would be forced to increase their competitivity and thus reassert their dominance, safeguarding the Bank's mechanism of monetary control. Thirdly, the Bank was frustrated with political roadblocks. The Bank's innovative strategies for monetary control largely fell on deaf ears regarding both the Wilson and Heath administrations. In particular, Conservative Chancellor Anthony Barber's refusal to increase interest rates in 1970 spurred the Bank's desperation to circumvent the traditional avenues of monetary policy, resulting in the outline of CCC (Needham 2014: 37-9).

The aforementioned factors explain the Bank's desire to institute a more laissez-faire system, but the reasons for the Treasury's acceptance of CCC are less clear. While CCC was implemented in October 1971, the Bank had informed the Treasury of its progress in January and sent earlier drafts to them in February - rather late in the day, but still enough time for the Treasury to make its influence felt. The Treasury's collective thought process during this period has been explained in a number of ways. Many authors have ignored the Treasury's role or have treated this

issue as a black box (Gowland 1978; Capie 2010; Reid 1982). Needham (2014), on the other hand, probes deeper, arguing that the Treasury had already developed an affinity with the Bank's approach to credit control, following the IMF's intervention in the late 1960s. He further argues that the Treasury was misled, along with Ministers, into thinking that CCC was about something that it was not, namely genuine competition. Burnham (2007: 413) also considers CCC a case of the Treasury being outmaneuvered by the Bank, as the latter succeeded for a time in reasserting 'its traditional role in the face of perceived Treasury interference'. For Moran (1984) the Treasury's assent was gained by a combination of the Bank winning the intellectual argument and exploiting the new Chancellor's naivety. Even more importantly, the 'introduction of CCC was a sign that the cheap credit lobby [industry] in Whitehall had been eclipsed', as City interests had momentarily gained pride of place in the Treasury (Moran 1984: 52).

This article will contribute to overcoming the lack of clarity on the Treasury's motivations for approving of CCC, through a close archival analysis. This focus on the Treasury derives from the fact that its role in passing CCC has faced limited academic scrutiny, unlike the role of the Bank. In addition, this analysis will follow recent contributions (Rogers 2009; Burnham 2011) in extending Bulpitt's statecraft thesis to important officials and advisors within the Treasury – who, it will be demonstrated, also faced pressures to reconcile legitimacy and governability. When dealing with the 'esoteric politics' of pre-Thatcherite monetary policy, Moran (1984: 27) is right to argue that much of the focus must necessarily be on the relatively small cabal of civil servants that operated monetary levers. Elected ministers, while important to the analysis, played a more broadly guiding role.

The evidence presented in this article will show that the Treasury was neither duped

by the Bank nor was industry simply out-lobbied by the City. Instead, the stagnation crisis, expressed as a boom in personal and corporate borrowing, politicised the existing monetary controls and pushed the Treasury to accept CCC as way to redistribute credit from labour to capital in a depoliticised fashion.

The Treasury's dilemma

The crisis that was gathering momentum by the end of the 1960s appeared to the Treasury in the form of two intractable obstacles to smooth economic governance: a stubborn growth in personal borrowing in the face of real wage stagnation; and a corporate liquidity crisis resulting from a secular fall in profitability. More specifically, these two phenomena wrought havoc with the authorities' chief policy aim, post-devaluation, namely to mount a sustained recovery in the balance of payments. This governing failure in turn brought scrutiny upon the Treasury, such that their attempted regressive redistribution of credit from persons to companies became blatantly politicised, endangering the insular nature of British statecraft.

Personal borrowing

A key monetary policy goal, following devaluation, was to reduce lending for personal consumption as a way to reduce imports. The austerity that accompanied devaluation in 1967 hit workers hard, as the wage share of GDP had peaked in the

early 1960s and had since begun to decline (Murphy 2011). In response, many people extended their borrowing as a way to bolster their incomes. Lending to persons continued to increase for nine months after the monetary tightening that accompanied devaluation.[3] Consequently, total consumer spending was running higher in the second of half of 1968 than 1967, despite the Budget's aim to reduce it by two per cent. This came as a surprise to Labour Chancellor Roy Jenkins:

> It could not be argued that the Budget had been insufficiently harsh in respect of personal consumption, yet it was clear that people were very resistant to lowering their standard of living. There was little reason to believe that they would not take countervailing action to maintain their standard of living … [4]

Thus, in November 1968 the credit ceiling was further reduced to 98 per cent of its 1967 level, with credit for exports and shipbuilding excluded. The intention to redistribute credit away from personal consumption and towards capital was explicit. As Treasury economist Arnold Lovell told Treasury official Robert Armstrong later that year: 'We do not want to inhibit industrial expansion or activity … we do want to curb the growth in consumer demand, in the hope that this will encourage the shift of resources into exports'.[5]

Yet banks quickly developed ways to evade the authorities' controls, as they began to lose customers to new secondary banks. The main finance houses started to ignore the government's requests to provide personal loans with terms at least as strict as the hire purchase rules. By April 1971 Barclays had announced the launch of a new personal loans scheme, which would extend credit 'from £100 to £1,000, to anyone over 18, whether a customer of Barclays or not, who is credit-worthy and in regular employment'.[6] This represented an 'embarrassing' circumvention of government

policy.[7]

In addition to wielding monetary policy to directly reduce consumption, the Treasury also did so indirectly, by using credit control as an industrial relations strategy. Industrial conflict intensified from the mid-1960s, with the number of days lost to strikes rising from 2.8 million in 1967 to 10.9 million in 1970 when the Conservatives arrived in power (Whittingham and Towers 1977: 77). This conflict meant that any perceived monetary relaxation could be interpreted by the unions as the beginning of another boom period, fuelling bolder pay demands.[8] If monetary relaxation boosted demand when industrial output was crippled by strikes, the effect on the balance of payments would be negative: 'There was a distinct chance of industrial unrest and if this transpired it would be dangerous to stimulate demand for cars since the effect would be to increase imports'.[9]

This goal - to starve the flames of industrial conflict by tightening credit - came into direct conflict with the need to relieve industry's financial difficulties. Treasury official Douglas Wass wrote in June 1971 that credit relaxation would 'enable the [car] industry to sustain their medium term investment plans, and so establish their competitive position vis-a-vis the Common Market producers'.[10] Yet this would send the wrong message to car firms with regards to pay settlements: 'The industry has undoubtedly been the maverick of employers in the private sector so far as incomes restraint is concerned. It has totally disregarded the Government's exhortations to exercise moderation'.[11] As such, if any monetary relaxation took place 'the industry will I am sure feel that it has nothing to fear from the Government and that much of the talk about punishment for those who transgress in the field of pay negotiations is without substance'.[12]

This highlights the inability of existing monetary controls to achieve the

government's stated policy goals. The same action necessary to discourage inflationary pay claims would simultaneously threaten the liquidity and export capacity of British capital – a problem that will become more clear in the following section.

Corporate liquidity

The crisis in corporate liquidity was recognised by the Treasury later than the personal borrowing boom, yet when it was acknowledged it was regarded as a fundamental challenge to their governing objectives. British industrial and commercial companies' rate of profit fell from 14.2 per cent in 1960 to 8.7 per cent in 1970.[13] As a result, their net liquidity tumbled from the early 1960s, hovering around zero from 1965-68, before plummeting to a deficit of more than £1,000 million by 1970 (CBI 1977: 15-17). In response, companies extended their bank overdrafts. From 1956-60, 90 per cent of industrial and commercial companies' funds came from internal sources (chiefly retained profits) and just 10 per cent came from external sources (bank borrowing, government grants etc.). Yet by 1966-70, the ratio had changed to 80 per cent and 20 per cent (Thomas 1978: 310).

Throughout 1969 evidence mounted that suggested the company liquidity shortage was beginning to jeopardise the balance of payments recovery.[14] Statistics showed that between November 1967 and mid-September 1969, London clearing bank lending rose by £563 million - £537 million of which was to manufacturing industry.[15] In a meeting on 18 December, Bank Governor Leslie O'Brien, Treasury advisor Michael Posner, and Treasury Chief Economic Advisor Donald MacDougall

agreed that some monetary easing was now appropriate, although only 'without giving the impression of any general relaxation'.[16] These pressures intensified in 1970. In January the Bank Governor informed Chancellor Jenkins of an 'extremely tight' liquidity shortage:

> So far it appears that companies have coped with the squeeze on them by running down their liquid resources, taking trade credit wherever possible, repatriating funds from abroad and economising on stocks … The question is whether, nevertheless, companies will be forced by the financial stringency to prune their investment plans unless steps are taken to enable them to acquire extra finance from the banks, from the capital market or from the Government.[17]

A contradiction began to emerge in the Treasury's handling of monetary policy. On the one hand, the expansion of the money supply, which had gained new importance since the IMF's latest intervention, suggested that significant tightening was necessary. By reducing personal loans and deterring inflationary pay settlements, this would dampen the demand for imports. On the other hand, the performance of the company sector pointed in the opposite direction. If falling profitability was undermining companies' investment plans, then Britain could not export its way out of its balance of payments problems unless companies could secure adequate credit. As Treasury official R J Painter explained to Second Permanent Secretary Frank Figgures in August 1970

> the forecast financial position of companies still looked very tight, and this… throws up the question whether continuation of present policies would cause companies to cut back their investment plans. At the same time we have to recognise that action of

> any kind which facilitated a larger increase in the money supply could tend to affect the reserves adversely.[18]

By November 1970 - two months *before* the Treasury first saw the Bank's CCC proposals – this 'dilemma' had prompted the Treasury to realise that 'policy on bank lending will have to be redefined'.[19] It was not possible to pursue a reduction in 'bad' personal borrowing and ensure an expansion of 'good' corporate borrowing with the blunt monetary instruments at their disposal. As the Prime Minister's Principal Private Secretary R T Armstrong explained, 'there is no future in retaining the ceiling but exempting "credit for investment" from it. This is simply unworkable: the banks cannot identify credit to particular firms by purpose to the extent that this would indicate'.[20] Furthermore, even if the credit ceilings could discriminate in this way, the Treasury's Permanent Secretary Douglas Allen argued 'it could not be altered frequently, and it was difficult to enforce effectively'.[21]

The post-devaluation system of monetary controls was not designed for this stagnant economic epoch. The contradictory need to both combat personal borrowing and alleviate industry's liquidity drought pulled the controls in opposing directions. The Treasury's key governing goal – to achieve a sustainable balance of payments surplus – was therefore jeopardised. Yet in addition to these functional shortcomings, the system of lending ceilings also challenged the government's preference for depoliticised forms of statecraft. This will be examined next.

The politicisation of monetary control

Lending ceilings, which had also been used in 1957-58 and 1961-2, were initially considered a depoliticised avenue through which to conduct monetary policy. There were two institutional layers separating the government from direct borrowers, namely the Bank of England and the clearing banks. This allowed the government to mask its influence on the money supply. As Painter commented

> The whole apparatus of "control" is a voluntary arrangement, operated as the City seem to prefer through the Bank of England in the driving seat. As long as the business carries on without too much controversy, there are advantages to Westminster and Whitehall in it being conducted at this remove.[22]

Yet by the end of the 1960s the intensification of economic stagnation meant that controversy came frequently and in large doses, undermining the Treasury's arms-length statecraft.

As the government's deflationary measures met growing resistance in the form of personal borrowing, the regressive nature of monetary policy became increasingly difficult to disguise. At the House of Commons in May 1968, Chancellor Jenkins was repeatedly questioned by Conservative MPs about the relationship between the monetary tightening and 'the worst consecutive period of heavy unemployment which we have known since the 1930s'.[23] Furthermore, even the monetary relaxation in July 1971 was seized upon for its pro-business bias, which the *Daily Express* reported with the subheading: '*Not you*! … [M]an-in-the-street borrowers can't expect to get anything extra from the new deal' (McKelvie 1971).

Despite monetary policy acting in industry's favour, the Treasury came under sustained pressure from the CBI to go further. In 1969 the CBI stated that 'a relaxation of the pressure on company liquidity is now called for', which should be

achieved by shifting emphasis away from tax manipulation towards monetary policy.[24] In preparation for a CBI-Treasury meeting in January 1970, a brief was circulated which stated that the 'suggestions that we have put forward [to the Treasury] over the last few months for easing the pressure of company liquidity' include '[r]elaxation of the restrictions on bank lending'.[25] The reason the CBI felt the need to 'repeat our arguments' to the Treasury regarding credit deregulation was that a full ten per cent of manufacturing firms were expected to restrict output because of 'shortage of credit or finance'.[26] These objections to government policy were made through official channels and during what Allen called the 'regular CBI/Treasury Tea Parties'.[27]

In addition to facing flak from individual and industrial borrowers, the Treasury's relationships with the clearing banks also began to fray. At a meeting between Bank officials and clearing bank representatives in early 1969, the clearing banks argued that, with deteriorating economic conditions, their customers were growing increasingly desperate for credit:

> Managers were tending to lose heart and the public image of the banks was getting worse and worse… The banks wondered whether H.M.Goverment [sic] fully understood their difficulties. They (the banks) feared that they would have to take the blame for the consequences of credit restriction.[28]

Furthermore, it was not entirely clear whether the government even had the power to enforce their own directives. A Bank solicitor informed Lovell in 1969 that banks' overdraft facilities could not be limited, and furthermore, attempts to punish the banks by lowering the interest rates on special deposits may not be legally enforceable.[29] As such, in pursuing balance of payment objectives through the

enforcement of lending ceilings, the authorities risked sparking a very public conflict with the City, which they could not be sure they would win.

Another source of scrutiny faced by the authorities was from the global investing community. As the credibility of the Treasury's monetary strategy was called into question by their inability to meet money supply targets, they risked damaging the position of sterling. Regarding Domestic Credit Expansion targets (a metric advocated by the IMF (Clift and Tomlinson, 2012)), Painter explained to Treasury Deputy Secretary Alan Neale in April 1970 that '[w]e are of course in a dilemma. We have to give a figure of some sort, and yet we all know what a hostage to fortune it may be'.[30] This concern continued after the Conservative's electoral victory. Chancellor Barber's Principal Private Secretary William Ryrie explained in July 1970 that if the authorities were not seen to respond to ballooning bank loans 'the Government's monetary policy and policies for management of the economy generally would lose credibility'.[31] The inadequacy of existing controls meant that any stated monetary target could quickly come back to haunt the authorities. With bank lending well above the five to seven per cent target in July and August 1970, the authorities had to respond in order to demonstrate that they had not lost control, without making unachievable commitments: 'The essential task for us is to devise some *weasely words* which justify whatever signal we give to the clearing banks without pinning ourselves on the 5%/7% hook'.[32]

Before the Bank's CCC proposal arrived on their desks, the Treasury was searching for a statecraft strategy that could shield them from scrutiny for their role in the mismanagement of monetary policy. The system of direct controls was seized upon for its unfairness from the perspective of the 'man on the street', it was heavily lobbied against by industry for its insufficiency in freeing up adequate credit for

struggling businesses, and it brought the government's economic credibility into question when monetary targets were missed. It is in this context – the failure of one form of depoliticised statecraft in the face of crisis – that we can understand the Treasury's acceptance of CCC.

Depoliticisation in place of solution

A new policy approach, CCC, landed in the Treasury's lap in January 1971. Yet it did not initially appear to resolve the policy dilemmas that they faced. Andrew Britton, Senior Economic Advisor, succinctly captured this problem on 5 March:

> The present forecasts show a company sector financial position which is quite possibly critical in the short run and which is certainly not sustainable in the medium term. *The* policy problem is to help companies without an excessive growth of money supply.[33]

CCC, it seemed, was too simplistic an instrument to effect this kind of regressive redistribution.[34] Home Finance Advisor Frank Cassell was tasked with finding a compromise between the new approach and the existing export credit scheme in June, but was forced to conclude that the 'blunt fact is we think they do not tie in together at all well'.[35] These kinds of directional controls on lending clashed with CCC's philosophy of allowing banks to arrange their portfolios however they pleased. Furthermore, as Figgures observed, CCC's emphasis on increases in Bank Rate

would be difficult to implement when 'the cost of borrowing money was already close to the return on investment'.[36]

Nevertheless, the chief inadequacy of existing credit controls was judged to be the lending ceilings, *not* the price of credit. Indeed, domestic industry had become increasingly vocal in arguing this point. As early as 1969, the CBI had urged that 'more reliance should be placed on interest rates than restricting the availability of credit'.[37] In 1970 the CBI President advised that, with regards to lobbying strategy

> the availability of finance was a more serious problem than its cost. These considerations suggest to me than an attack on the credit ceiling, in which we were associated with the Clearing Banks, would be preferable to a request to them to revert to their earlier interest rate structure.[38]

This reasoning from industry was reinforced by the Bank. In response to concerns about higher interest rates hurting industrial investment, Bank Executive Director John Fforde reminded Figgures in March 1971 that 'under the present arrangement some companies were denied credit at any price. The proposed scheme would help the financial position of these businesses'.[39] In July the CBI reaffirmed their approval of the Bank's plans in an Economic Committee Meeting:

> In general, the analysis and proposals set out in "Competition and Credit Control" are in line with the views of the Committee formulated in 1969, notably the intended change in emphasis from quantitative limits to interest rate policy.[40]

This runs entirely counter to Moran's claim that the 'introduction of CCC was a sign that the cheap credit lobby [industry] in Whitehall had been eclipsed' (1984: 51-52).[41]

More broadly, it also contradicts the *expropriation* thesis that financial deregulation resulted from the power of financial elites to impose their agenda at industry's expense.

In addition, CCC offered a way to rediscover a depoliticised monetary policy toolkit. After reading the proposals, Posner commented in February 1971 that 'several of us were attracted by the notion that we could escape from ceilings and run an 'arms-length' control of the banking system'.[42] With lending ceilings abandoned, much of the tensions with the clearing banks would be alleviated, and the authorities could not be viewed by the public as directly restricting borrowing. Instead, it would be individuals' own financial shortcomings that stopped them from accessing credit at high interest rates, veiling the transfer of credit resources from persons to companies. As Figgures explained in March, CCC 'could be a means of very strict control, but by different methods which could bear more hardly on some than the present system'.[43] This method of policy implementation would, as Barber assured Heath in May, 'allow us to achieve the object of greater flexibility with a fully adequate control over monetary conditions'.[44] There remained some concern that the 'new approach' would not in fact depoliticise monetary policy enough, due to the greater role that special deposits would play. Allen argued that special deposits 'had sometimes been turned down on political grounds - an unwillingness to advertise that monetary policy was being tightened'.[45] Yet the Bank insisted that interest rates would be the key tool of monetary policy under the new scheme. To this end, the politically sensitive nature of Bank Rate movements would be 'diffused' by the creation of MLR - a new marketised system for setting interest rates.[46] It was acknowledged by Fforde in November that 'there would be problems for the Bank in operating the new approach if there was a political nervousness about Bank Rate

changes'.[47] As the Treasury's Group on Monetary Policy had explained earlier in the year, 'increases in Bank Rate have come to be regarded, not as a signal of the Authorities' views about the appropriate level for interest rates, but rather as signals of economic crisis'.[48] MLR, Treasury officials Painter, Cassell and Hawtin emphasised in a November meeting, would 'reduce the political problems about changes in Bank Rate'.[49] This new system was introduced in 1972, linking Bank Rate to market interest rates and thus freeing it to fluctuate far more. This allowed politicians to no longer be 'seen as directly responsible for movements in the rate', effectively delegating the enforcement of financial discipline to a more nebulous entity: the market (Burnham 2011: 477).

CCC could not solve the contradiction of buoyant personal borrowing and a corporate liquidity shortage, but it offered a way to temporarily alleviate the pressure. This possibility was reinforced by the CBI's lobbying, whose demands chimed with those of the City (Moran 1984: 44). All of this lends support to the claims of *crisis resolution* approaches to financialisation. Nevertheless, the Treasury's acquiescence cannot be understood in a purely functionalist manner. What persuaded the Treasury to endorse CCC was the fact that it would allow important exporting companies access to credit, at the same time as allowing the authorities to seemingly let go of the reigns of monetary policy.

This interpretation has certain ramifications for how IPE should theorise state/market relations. The state is not, and has arguably never been, a neglected field of study in IPE (Clift and Rosamond, 2009). Nevertheless, the ways in which the state is conceptualised are often unsatisfactory. The financialisation literature's disinterest in statecraft reflects the more general neglect of state governance strategies in the dualistic state/market IPE analyses of Gilpin (1987) and Strange (1996), as

well as the pluralist state theory of scholars influenced by neo-Gramscian IPE (Van der Pijl 1989; Underhill 2000). In contrast, the case of CCC demonstrates the centrality of statecraft strategies - depoliticisation in particular - for understanding the relationship between states and financial markets. As Bulpitt (1986: 28) argued, a key governing goal, especially in recessionary conditions, is to discover an 'automatic pilot, which, like the Gold Standard, would depoliticize' economic management. In fact, the evidence presented here suggests that financial deregulation in times of crisis should be understood as the *outsourcing of discipline* from the state to less overtly political mechanisms. The British authorities viewed the boundary between politics and markets less as a division between two externally-related and opposed modes of social organisation, and more as a line to be strategically blurred in order to ensure that governance was insulated from scrutiny. This contributes to the large body of literature challenging the notion of the mutual antagonism of states and markets, and in addition points to the calculated, strategic dimensions of this relationship.

Conclusion

This article began by examining interventions in the financialisation literature that deal with the causal relationship between productive stagnation and financial expansion, gathered here into two categories: *expropriation* and *crisis resolution* approaches. Yet neither approach has placed significant emphasis on the role of statecraft. The state is generally conceptualised as a weathervane, with policy automatically changing direction in response to changing factional forces or

economic imperatives. As such, the craft of governance is understood to have limited explanatory value. This mirrors a broader shortcoming in politics/economy dualist and neo-Gramscian-inspired IPE approaches to state/market relations. On the contrary, this article has endeavored to demonstrate the centrality of statecraft in mediating the processes of financialisation. In particular, it was argued that depoliticisation is a valuable analytical tool for understanding how governments attempt to insulate themselves from criticism by exercising economic policy *covertly* through financialised channels. This focus on statecraft can provide greater insights into the veracity of the competing *expropriation* and *crisis resolution* accounts of financialisation, and in turn cast state/market relations in a more strategic light.

The UK's CCC deregulation is a useful case for demonstrating the importance of statecraft. While the existing literature rightly points out that CCC was the Bank's brainchild, this radical deregulation nevertheless had to be accepted by the Treasury – the predominant economic department and a body with broader institutional duties to ensure economic and social stability. This article showed that intensifying economic stagnation was experienced by the Treasury as two distinct but interrelated obstacles to smooth economic governance: a personal borrowing boom and a company liquidity crisis. This posed a major threat to the government's key post-devaluation policy goal, namely to maintain a balance of payments surplus. The ceiling controls could not effectively repress personal borrowing in order to reduce consumption and imports without simultaneously starving companies of liquidity and thus reducing exports. Furthermore, the post-devaluation controls were too politicised to allow the government the leeway to carry out the necessary regressive redistribution of resources. In contrast, CCC would remove all formal limits on the availability of credit and instead allow high interest rates to adjudicate between borrowing requests.

This principle was lobbied for heavily by the CBI, which - with the Bank - convinced the Treasury that CCC had the potential to reduce consumer borrowing while allowing large exporting firms access to previously unavailable credit. Although direct evidence confirming the depoliticisation of policy is necessarily limited, due to officials' and politicians' unwillingness to admit to purposeful blame-shifting, there is sufficient archival evidence to suggest that the hands-*off* nature of CCC was welcomed because it would allow policy goals to be met in a depoliticised manner. This would consequently shield the authorities from the blame for the accelerating economic crisis.

This case study has two important implications for IPE. Firstly, although the evidence is by no means sufficient to reject the broader claims of the *expropriation* approach, it does suggest that CCC in particular was not passed due to the colonisation of the Treasury by City acolytes nor because of the City's growing power to override the interests of domestic industry. Instead, CCC was a much deliberated over attempt to provide some kind of functional response to the deterioration of postwar affluence - lending support to the claims of *crisis resolution* approaches. Secondly, this case suggests that we follow Krippner (2011) in adding a layer of nuance to *crisis resolution* narratives, and to IPE debates on state/market relations, by considering statecraft as a powerful explanatory factor. The Treasury did not automatically react to the unfolding crisis by promoting financial deregulation. Rather, by shifting emphasis from direct controls to (partly-marketised) interest rates, the Treasury hoped to outsource discipline to the price mechanism. This acts as further evidence as to the fruitfulness of the depoliticisation framework for understanding state behaviour in times of crisis, which in turn sheds light on the distinctly strategic nature of the relationship between states and markets.

Notes

1. While Brenner (2006) argues that the rate of profit fell due to what he calls 'investment overhang', Kliman (2012) argues that the rising ratio of fixed investment to labour (the 'organic composition of capital') is the cause of the fall.

2. As Fred Hirsch (1965) approvingly observed in a widely cited polemic, devaluation is in many ways a 'hoax on the public at large' (77), in that it 'is a way of achieving the necessary cut in domestic consumption by making use of the "money illusion"' (75), whereby people are more willing to accept a rise in money wages and a cut in real wages than vice versa. In this sense, devaluation can itself be seen as a depoliticised strategy to increase domestic cost competitiveness by covert means.

3. TNA T 326/961, Bank lending: Developments up to end-October, 22 November 1968.

4. TNA T 326/961, Dowler to Hawtin, 25 October 1968.

5. TNA T 326/961, Lovell to Armstrong, 14 November 1968.

6. TNA T 326/1352, Note for the Record, 15 April 1971.

7. TNA T 326/1352, Cassell to Ryrie, 16 April 1971.

8. TNA T 326/1109, Note of a Meeting in the Chancellor's Room, 16 January 1970.

9. *Ibid*.

10. TNA T 326/1263, Wass to Henley, 10 June 1971.

11. *Ibid*.

12. *Ibid*.

13. This measure of profitability is calculated at replacement cost after providing for stock appreciation, which the Department of Trade and Industry argued measured profitability in 'real' terms. MSS.200/c/3/dg2/23, *Trade and Industry* magazine, 22 September 1978.

14. TNA T 326/962, Control of Bank Lending to the Private Sector, 27 March 1969.

15. TNA T 326/963, Lovell to Neale, 16 October 1969.

16. TNA T 326/963, Record of a Meeting, 19 December 1969.

17. TNA T 326/1109, O'Brien to Jenkins, 9 January 1970.

18. TNA T 326/1352, Policy on Bank Lending for the Rest of the Year, 7 August 1970.

19. TNA T 326/1352, Policy on Bank Lending for the Rest of the Year, 7 August 1970.

20. TNA T 326/1109, Armstrong to Figgures, 8 January 1970.

21. TNA T 326/966, Minutes of a Meeting, 29 October 1969.

22. TNA T 326/1352, Painter to Armstrong, 18 May 1970.

23. TNA T 326/791, House of Commons, 24 May 1968.

24. MRC MSS.200/C/3/ECO/2/29, CBI Staff Comment, 4 November 1969.

25. MRC MSS.200/C/3/ECO/2/29, Brief for CBI/Treasury Meeting, 19 January 1970.

26. *Ibid*.

27. MSS.200/c/3/dg2/22, Note of a Meeting, 25 November 1971

28. TNA T 326/962, Note for the Record, 1 April 1969.

29. TNA T 326/963, Brooke to Lovell, 10 September 1969.

30. TNA T 326/1109, Painter to Neale, 2 April 1970.

31. TNA T 326/1352, Note for the Record, 27 July 1970.

32. Emphasis added. TNA T 326/1352, Painter to Kelley, 19 August 1970.

33. TNA T 326/1261, Britton to Posner, 5 March 1971.

34. MacDougall was also concerned that the laxity of CCC could allow an explosion in bank lending for consumption during the transition to the new regime, and that the authorities would have insufficient tools to rectify it (TNA T 326/1261, Minutes of a meeting, 18 February 1971; TNA T 326/1261, Note of a Meeting, 3 March 1971). This was a prescient insight, considering the experience of the Secondary Banking Crisis, and one that was shared by other Treasury figures, which Needham (2014: 42) explores.

35. TNA T 326/1263, Cassell to Henley, 4 June 1971.

36. TNA T 326/1261, Minutes of a Meeting, 10 March, 1971.

37. MRC MSS.200/C/3/ECO/2/29, CBI Staff Comment, 4 November 1969.

38. MRC MSS.200/C/3/ECO/2/29, Anderson to Plumb, 19 May 1970.

39. TNA T 326/1261, Minutes of a Meeting, 10 March, 1971.

40. MRC MSS.200/C/3/ECO/2/29, Economic Committee Meeting, 5 July 1971.

41. Indeed, the CBI admitted in 1974 that they 'had welcomed the liberalisation of monetary policy late in 1971 as providing a much needed stimulus to industry' (MRC MSS.200/c/3/eco/2/7, Report on the Work of the Financial Policy Committee, 19 September 1974).

42. TNA T 326/1261, Posner to Cowdy, 18 February 1971.

43. TNA T 326/1261, Note of a Meeting, 3 March 1971.

44. TNA T 326/1262, Barber to Heath, 6 May 1971.

45. TNA T 326/1261, Minutes of a Meeting, 1 March 1971.

46. TNA T 326/1702, Note of a Meeting, 12 November 1971.

47. *Ibid.*

48. TNA T 338/39, Report of the Group on Monetary Policy, 20 January 1971.

49. TNA T 326/1702, Note of a Meeting, 12 November 1971.

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