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BY
T. BALOGH

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PREFACE

The present studies are a fragment of an international enquiry into the working of the Western European monetary and banking systems and capital markets undertaken in 1939. In this country the study was entrusted to the National Institute of Economic and Social Research and was placed under the direction of Mr N. F. Hall, whom the present author was to have assisted. The original plan envisaged studies of the ‘public’ Sector (the Treasury and extra-budgetary funds) of the Bank of England and the Exchange Equalization Account; and the present studies dealing with the Clearing Banks, the discount market and other private financial institutions. Further sections were to have dealt with the institutions, public and private, by which savings are canalized—such as the Post Office Savings Bank, Building Societies, Insurance Companies and so forth—as well as the Stock Exchanges.

At the outbreak of the war of 1939–45 the present studies were nearing completion. Mr Hall and his staff were called away to public service and the present author was engaged in other tasks, so that it has not been possible to complete the whole scheme. It has, therefore, been decided to publish the existing sections separately. They form a consistent whole and are of interest as providing an up-to-date survey of their subject before war conditions dislocated it and diverted its development. The complex interrelations between the different parts of the financial structure render an analytical description somewhat cumbrous. Repetitions are unavoidable and the fact that many important institutions have not been included in the analysis causes unavoidable gaps in the narrative. Nevertheless, the importance of the topic for the future, and the prevalence of misconceptions about the past, would seem to justify an attempt at a consistent treatment of the institutional organization of the financial system on the basis of modern economic doctrine.

The author wishes to acknowledge his deep gratitude to Professor Clay (now Warden of Nuffield College, Oxford) for his unfailing kindness and patience, to Mr Noel Hall for his advice, encouragement and help in writing, to Mr G. Crowther and Mrs F. S. Stone and to many friends in the City for their willingness to give information not hitherto available and for checking many of his
PREFACE

rash statements. None but himself, however, is responsible for the shortcomings of the finished product. He is much indebted to Mr J. Packman for his scholarly reading of the proofs and for his kindness in preparing the index at very short notice.

The conclusions will certainly seem too radical for those who hanker after a status-quo which is inevitably lost and, perhaps, too conservative to those who believe that by exorcising the monetary and banking devil, by global monetary measures or by nationalizing the banking system, all our ills can be cured. The latter are, at the moment, not only more numerous but, perhaps, more influential than the former. The dangers that misconceptions of this nature will cause a violent reaction to the formerly prevalent extremes are not negligible. If the present analysis contributes—however modestly—to some disillusionment about the all-cure effect of monetary intervention it will have served its purpose.

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August 1945

The National Institute of Economic and Social Research is glad to acknowledge the part played by the Institut Scientifique de Recherches Economiques et Sociales, of Paris, in the origination of this work. The international enquiry referred to in the author's preface was organized and sponsored by the Institut before the 1939-45 war, and the National Institute received a small grant from the Institut towards the expenses of the study that was originally planned.

F. S. STONE
Secretary
National Institute of Economic and Social Research

August 1947
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