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MAKING A MODERN CENTRAL BANK

Making a Modern Central Bank examines a revolution in monetary and economic policy. This authoritative guide explores how the Bank of England shifted its traditional mechanisms to accommodate a newly internationalized financial and economic system. The Bank's transformation into a modern inflation-targeting independent central bank allowed it to focus on a precisely defined task of monetary management, ensuring price stability. The reframing of the task of central banks, however, left them increasingly vulnerable to financial crisis. Harold James vividly outlines and discusses significant historical developments in UK monetary policy, and his knowledge of modern European history adds rich context to archival research on the Bank of England's internal documents. A worthy continuation of the previous official histories of the Bank of England, this book also reckons with contemporary issues, shedding light on the origins of growing backlash against globalization and the European Union.

Harold James is Professor of History and International Affairs and Claude and Lore Kelly Professor of European Studies at Princeton University.

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Making a Modern Central Bank

The Bank of England 1979–2003

HAROLD JAMES

Princeton University



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Ex praeterito praesens prudenter agit, ni futurum actione deturpet
(*Titian, The Allegory of Prudence, National Gallery*)

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Abbreviations

AD	authorized depositories
BBME	British Bank of the Middle East
BCCI	Bank of Credit and Commerce International
<i>BEQB</i>	<i>Bank of England Quarterly Bulletin</i>
BIS	Bank for International Settlements, Basel
BNP	Banque Nationale de Paris
BoE	Bank of England (also in some documents B/E)
CBI	Confederation of British Industry
CHAPS	Clearing House Automated Payments System
CI	Certificates of Indebtedness
CMMO	Central Money Market Office
CoG	European Community Committee of Central Bank Governors
DCE	domestic credit expansion
DGC	Deputy Governor's Committee
DM	Deutschemark
DTI	Department of Trade and Industry
EC	European Community
ECB	European Central Bank
ECI	Equity Capital for Industry
ECOFIN	Economic and Financial Committee (of European Commission)
ECU	European Currency Unit
EEC	European Economic Community
EMS	European Monetary System
EMU	(European) Economic and Monetary Union
ERM	Exchange Rate Mechanism

ESCB	European System of Central Banks
Exco	(Bank of England) Executive Committee
FCI	Finance Corporation for Industry
FCO	Foreign and Commonwealth Office
FFI	Finance for Industry, later Investors in Industry or 3i
FPC	(Bank of England) Financial Policy Committee
FSA	Financial Services Authority
<i>FSR</i>	<i>Financial Stability Review</i>
G-5	Group of Five
G-7	Group of Seven
G-10	Group of Ten
GDP	gross domestic product
GEMMs	gilt-edged market makers
HADB	Historical Archive of Deutsche Bundesbank
HMG	Her Majesty's Government
HMT	Her Majesty's Treasury
HSBC	Hong Kong and Shanghai Bank Corporation (also in some documents HKSB)
IBEL	interest-bearing eligible liabilities
ICFC	Industrial and Commercial Finance Corporation
IFU	Industrial Finance Unit
IMF	International Monetary Fund
JMB	Johnson Matthey Bankers
LDC	less developed country
LIFFE	London International Financial Futures and Options Exchange
LLR	lender of last resort
LSE	London School of Economics
M	money (for list of various monetary aggregates, see pages 467–471)
MBC	monetary base control
MLR	minimum lending rate
MPC	(Bank of England) Monetary Policy Committee
MTFS	Medium-Term Financial Strategy
NAIRU	non-accelerating inflation rate of unemployment
OECD	Organisation for Economic Co-operation and Development
OMOs	open market operations
PM	prime minister
PRA	Prudential Regulation Authority
PSBR	Public Sector Borrowing Requirement

List of Abbreviations

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PSL	private sector liquidity (for list of monetary aggregates, see page 467–471)
RBS	Royal Bank of Scotland
RPI	Retail Price Index
RPIX	Retail Price Index (excluding mortgage interest payments)
RTGS	real-time gross settlement
SBC	Swiss Bank Corporation
SCB	Standard Chartered Bank
SEMBs	stock exchange money brokers
SIB	Securities and Investment Board
SIMEX	Singapore International Monetary Exchange
SRO	self-regulatory organization
SSDS	Supplementary Special Deposit Scheme
SWOT	strengths, weaknesses, opportunities and threats
TARGET	Trans-European Automated Real-time Gross Settlement Express Transfer
TCSC	Treasury and Civil Service Select Committee (UK Parliament)
TML	Trans Manche Link
TNA	The National Archives (UK)
TUC	Trades Union Congress
VAT	value-added tax
Y2K	year 2000

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