

Working Paper

Competition and the London Clearing Banks, 1946-1979

By

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Abbreviations

BoE	<i>Bank of England Archive</i>
BI	<i>Bishopsgate Institute</i>
CLCB	<i>Committee of London Clearing Bankers</i>
CPA	<i>Conservative Party Archive</i>
LMA	<i>London Metropolitan Archives</i>
MRC	<i>Modern Records Centre, University of Warwick</i>
NBPI	<i>National Board for Prices and Incomes</i>
TNA	<i>The National Archives</i>

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Abstract

This paper explores the way in which ideas about competition in banking evolved in the decades after the Second World War, with a focus on clearing banking. It is structured as follows: first, it describes how, in the immediate post-war years, bankers and the authorities were ambivalent about the merits of competition. They were more concerned about the dangers of excessive competition in banking and of very large banks, than about a lack of competitiveness in banking, per se. The next section describes how in the 1950s and 1960s, concern grew over the apparent absence of competition both between the clearing banks, and between the clearing banks and other components of the banking system. The focus of concern migrated away from monopoly or excessive competition, and towards those restrictive practices within the market which blunted competition. In considering what lay behind this change of focus, the paper draws attention to its ideological origins. The third section explores how the heightened emphasis upon competition and the focus on dismantling restrictive practices led to two important changes: the abandonment of certain collective pricing agreements, and the end to bank privileges with respect to the disclosure of their profits and reserves. The paper closes by considering the consequences of this change on the market structure. With a more tolerant attitude towards bank amalgamations, the change in focus paved the way for larger banks. This attitude is set in the context of a wider discourse about corporate take-overs and their role in improving the competitiveness and efficiency of British industry.

Introduction

In the several decades after the Second World War, both the market structure, and the regulatory framework within which the London clearing banks operated, changed profoundly.¹ The Bank of England Act, 1946² had brought the Bank under public control, and had set out a regulatory approach that relied upon tacit, implicit and informal constraints as well as codified, explicit and formal ones. There was a further dimension to the competitive and regulatory landscape: competition between the clearing banks was intentionally moderated by collective, 'cartel' pricing agreements. Collective action by the clearing banks assumed an organisational form as the 'Committee of London Clearing Bankers' (CLCB). By the 1970s, the contours of the landscape were shifting. When, in 1971, the Bank introduced its new policy of 'Competition and Credit Control' the curtain fell on certain collective pricing agreements, while the Banking Act, 1979 signalled a more formal and codified approach to supervising banks.

The Post-War Years: Ambivalence towards Competition

In microeconomic theory, the structure of a market can be analysed on a continuum, according to its competitiveness. In stylized terms, at one end of the continuum the structure is monopolistic, while at the other it is perfectly competitive. Imperfect competition prevails

¹ At the beginning of this period there were eleven London Clearing Banks: Barclays Bank Limited, Coutts & Co., District Bank Limited, Glyn, Mills & Co., Lloyds Bank Limited, Martins Bank Limited, Midland Bank Limited, National Bank Limited, National Provincial Bank Limited, Westminster Bank Limited and Williams Deacon's Bank Limited. Barclays, Lloyds, Midland, National Provincial and Westminster were the 'Big Five' and the others the 'Little Six'. By 1979, there were six: Barclays Bank Limited, Coutts & Co., Lloyds Bank Limited, Midland Bank Limited, National Westminster Bank Limited and Williams & Glyn's Bank Limited.

² Hereafter, the Bank of England is referred to as 'the Bank'.

in all states other than perfect competition.³ This theory can be visualized as follows

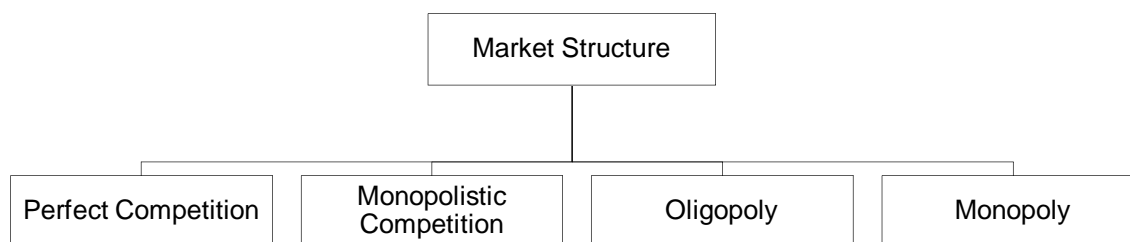


Figure 1: Market Structure

In the years after the Second World War, when considering the market structure for clearing banking and the extent to which it should be subject to competition, an important background assumption was prominent in the minds of the authorities. This assumption was that banking had a special role in society. It was in society's interest to have a stable, well-functioning banking system and to avoid, or at least minimize, the incidence of banking crises. Many would have been able to recollect the many years of bank failures in America: between 1929 and 1933, 9,103 American banks had been suspended.⁴ The importance of the banking system in the national economy was also appreciated. Some years later in the late 1960s, this was well articulated by the National Board for Prices and Incomes (NBPI) in its report on bank charges. Its importance derived first, from banks' role in the transmission of payments and second, from their role as financial intermediaries. In that latter role, they create credit and it is on that basis that they have been the subject of regulation by the monetary authorities.⁵ The Head of Banking Supervision at the Bank of England, W. P. Cooke, in an article in the Bank of England Quarterly Bulletin in 1979 set out that a well-

³ Agnar Sandmo, *Economics Evolving: A History of Economic Thought* (Princeton, N.J.: Princeton University Press, 2011), 48-50, 151, 299-301, 302-5. Sandmo outlines the theoretical contributions of Adam Smith (1723-1790), Antoine A. Cournot (1801-1877), Edward H. Chamberlin (1899-1967) and Joan Robinson (1903-1983) to understanding market structures.

⁴ *The Economist*, "American Banking: 1933-1939," 11 March, 1939, p.507.

⁵ National Board for Prices and Incomes, *Report No. 34, Bank Charges*, May, 1967, Cmnd., para. 6-8, p. 9.

functioning banking system was essential for the fruitful development of both the national and the international economy.⁶ Contemporary research has demonstrated that banking crises are associated with deep and prolonged recessions.⁷

One threat to such a stable, well-functioning system might emerge if a monopolistic or duopolistic market structure were allowed to prevail within banking.⁸ Accordingly, amalgamations between clearing banks were deemed undesirable because they moved banking in the direction of monopoly. Wariness of very large banks had begun to crystallise in the late 1910s. When it considered the matter in 1918, the Treasury Committee on Bank Amalgamations concluded: 'the possible dangers resulting from further large amalgamations are material enough to outweigh the arguments against Government interference, and [] in view of the exceptional extent to which the interests of the whole community depend on banking arrangements, some measure of Government control is essential.'⁹ This advice was a reaction to a prolonged period of merger activity in the sector: between 1826 and 1918 there had been 526 mergers in English banking. The table below analyses merger activity according to whether the acquiring and acquired banks were private or joint stock banks.

⁶ 'The Role of the Banking Supervisor,' Bank of England Quarterly Bulletin, 1982, Q4, p.547-552, p. 547, accessed 27 May, 2015, <http://www.bankofengland.co.uk/archive/Documents/historicpubs/qb/1982/qb82q4547552.pdf>.

⁷ Carmen M. Reinhart and Kenneth S. Rogoff, *This Time Is Different: Eight Centuries of Financial Folly* (Princeton: Princeton University Press, 2009), 173. An association is not the same as causation and the authors point out that 'further work is needed to establish causality,' p.173.

⁸ Under Monopolies and Restrictive Practices (Inquiry and control) Act, the threshold for a monopoly situation was when at least one third of all goods supplied or processed were supplied or processed by or to any one person. Services were outside the scope of the Act. Under the Fair Trading Act, 1973, a statutory monopoly existed when at least one-quarter of all the goods or services were supplied by one and the same person.

⁹ Treasury Committee, *Copy of Report of the Treasury Committee on Bank Amalgamations*, Cd. 9052, 1918, 7. The Committee was appointed on 11 March, 1918 and was chaired by Lord Colwyn.

Table 1: Merger Activity in English Banking, 1826-1918: Number of Mergers ¹⁰

Acquiring Bank:	Private	Private	Joint Stock	Joint Stock	Total
Acquired Bank:	Private	Joint Stock	Joint Stock	Private	Total
1826-1857	30	0	14	109 ¹	153
1858-1918	73	2	137	161	373

¹. Includes 17 bank mergers of unknown dates

More significant than the number of mergers was the fact that, from around 1870, the nature of bank amalgamations had changed. Mergers between the larger joint stock banks had become increasingly common, as opposed to the swallowing up by large joint stock banks of generally smaller private banks or smaller joint stock banks.¹¹ Following the Treasury Committee report, by which time there was already a high degree of concentration within clearing banking, there was comparatively little merger or acquisition activity amongst the clearing banks for the next fifty years, until the late 1960s. The two exceptions were that in 1920, Coutts & Co. became a subsidiary of the National Provincial Bank Limited (although Coutts continued to operate as a separate entity), and in 1962 the National Provincial Bank and the District Bank Limited amalgamated although each retained its individual identity until 1970.

Almost three decades after the Treasury Committee report, as the Second World War drew to a close, the manifestos of both the Labour and Conservative parties for the July 1945

¹⁰ David A. Alhadeff, *Competition and Controls in Banking: A Study of the Regulation of Bank Competition in Italy, France, and England* (Berkeley: University of California Press, 1968), Table 45, 237. The source of Alhadeff's data is Joseph Sykes, *The amalgamation Movement in English Banking, 1825-1924* (London, 1926), Appendix 1, pp.193-195.

¹¹ Alhadeff, *Competition and Controls in Banking: A Study of the Regulation of Bank Competition in Italy, France, and England*, 237.

general election demonstrated that they were attuned to the dangers of monopoly. “Neither [State monopoly] nor any other form of unfettered monopoly should be allowed to exist in Britain”¹² promised the Conservatives while, for their part, the Labour Party proposed the “public supervision of monopolies and cartels [í] in the service of the nation.”¹³

Equally, a threat to the stability of the banking system might result from a very different market structure to monopoly, namely, one in which there was excessive, or “cut-throat” competition, the hallmark of which was predatory pricing. The Chief Executive Officers of the Clearing Banks were clear that “it would not be in the best interests of the public, nor the banks themselves, to revert to the pre-war intensive competition involved in the cutting of interest and commission rates.”¹⁴ It is possible that this fear was fuelled more by the devastation wreaked upon banking in the US throughout the 1920s and early 1930s than by the British experience, specifically. An average of 635 banks had been suspended every year between 1921 and 1929 in America; in 1933 alone, 4,004 banks had experienced that fate.¹⁵ In the UK, the Committee of London Clearing Bankers had been making collective pricing agreements as early as the 1920s as a way of moderating excessive competition.

Concern over excessive competition in banking in the post-war years was not a novel one. In 1905, *The Economist* reported the President of the Institute of Bankers’ exhortation that “I cannot [í] emphasise too strongly the undesirability of suicidal competition.”¹⁶ Other bankers cast their minds back to the nineteenth century and the potentially harmful effects of

¹² “General Election 1945: Mr Churchill’s Declaration of Policy to the Electors,” CPA PUB 155/4, p.12.

¹³ UK General Elections: Party Manifestos, “Let Us Face the Future: A Declaration of Labour Policy for the Consideration of the Nation,” accessed January 30, 2015, <http://www.politicsresources.net/area/uk/man/lab45.htm>.

¹⁴ Minutes of a Meeting of the Chief Executive Officers of the Clearing Banks, 18 December, 1952, LMA CLC/B/029/MS32037/008, Committee of the London Clearing Bankers’ and Chief Executive Officers’ Committee Minutes (2/7A and 2/7/1).

¹⁵ *The Economist*, “American Banking: 1933-1939,” 11 March, 1939, p.507.

¹⁶ *The Economist*, “At the Institute of Bankers,” 4 November, 1905, p.1748.

too many competing banks. When C.J. Montgomery, President of the Institute of Bankers, gave his presidential address in 1977, he explained to the audience that the clearing banking cartel had arisen out of, 'cut-throat competition in the nineteenth century.'¹⁷ Precisely the same term, 'cut-throat competition' had been invoked by the Honorary Secretary of the Foreign Banks and Affiliates Association in the mid-1950s when it came to light that one or two of the Accepting Houses had begun to offer higher interest rates for monies on deposit than the collective agreement allowed. 'Are we to indulge in cut-throat competition which will affect all of us [í]?' he lamented to the General Manager of one of his member banks.¹⁸

Anxiety over the effects of excessive competition were expressed in relation to a growing and highly profitable field in which the clearing banks were becoming increasingly active: the field of hire purchase. Their participation took two main forms: they lent to hire purchase companies direct, and increasingly they owned shares in hire purchase companies. Both forms of participation were given a boost when, in July 1958, the Conservative Chancellor of the Exchequer Derick Heathcoat Amory removed restrictions on the level of bank advances.¹⁹ A note of caution about the potential consequences of intense competition was sounded from within. The Chairman of the Finance Houses Association, alerted both the Bank of England and the Board of Trade to the fact that: 'The weight of money seeking

¹⁷ C. J. Montgomery, 'The Clearing Banks, 1952-77 - an Age of Progress: The Presidential Address of C.J. Montgomery,' (London: Institute of Bankers, 1977), 11.

¹⁸ Letter from Honorary Secretary to General Manager, Banque du Congo Belge, 22 April, 1955, LMA CLC/B/084/MS34844, Foreign Banks and Securities Houses Association.

¹⁹ Restrictions on domestic credit provided a tool for responding to imbalances in the balance of payments on current transactions. The view was that restricting credit would dampen domestic consumption and in turn reduce imports. In its 1955 general election manifesto, 'United for Peace and Progress,' the Conservative Party justified the possibility of using credit restrictions as follows: 'Any country pursuing a policy of economic expansion and full employment faces a constant danger of inflation. The risk is that home demand may take away from the export trade and swell the import bill. Here sound monetary and fiscal policies are powerful weapons. We propose to continue with their flexible use.' CPA PUB 155/6/1, p.15.

investment in Hire Purchase has inevitably led to unhealthy competition. [1] The effect of this is that Hire Purchase Companies are faced with rapidly mounting losses.²⁰

These appeals to the dangers of excessive competition should, however, be treated with some caution. First, they understate the degree of concentration within clearing banking. The large number of bank mergers which had already taken place in the nineteenth and early twentieth century meant that by the late 1910s, banking was no longer a market of very many small banks engaging in predatory pricing, undermining the stability of the banking system. Second, they downplay the extent to which competition was diluted as a result of geographical specialisation amongst the clearing banks: Williams Deacon's Bank, for example, operated mainly in the north west of England, while Coutts & Co. and Glyn Mills & Co. both operated in London.

The Advent of Competition

A change of thinking about competition in banking began to gather momentum in the 1950s. There were three strands to this ideological change. First, the idea began to be articulated much more openly that clearing banking was uncompetitive and consequently, inefficient. Other financial institutions such as hire purchase companies, Trustee savings banks and building societies were competing successfully in the market for deposits. Deposits with hire purchase companies, for example, grew from £38m in December 1951 to £654m in December 1965.²¹ Simultaneously, perceptions of the dangers posed by excessive competition were fading. The second strand was that if it were the case that banking was uncompetitive, the question became how it could be made more competitive. What obstacles impeded

²⁰ Memorandum on 'Present Trends in Hire Purchase', 4 November, 1959, BoE C40/110, Banking and Finance Practice: Protection of Depositors.

²¹ Alhadeff, *Competition and Controls in Banking: A Study of the Regulation of Bank Competition in Italy, France, and England*, 286.

competitiveness, and how might they be removed? Increasingly, the response to this question was that barriers to entry into clearing banking, made possible by the existence of the clearing banking cartel, were a major obstacle to a competitive banking system. The logical response would be to remove any barriers to entry including by dismantling the cartel.

The third strand of the ideological change extended this line of thinking further. How could a competitive market structure in banking be sustained? The answer lay not so much in relying upon the state to prevent or eliminate such market imperfections as monopoly or excessive competition: instead, the act of enabling a free market in clearing banking and opening it up to competition was the most effective means of achieving that end. Underpinned by ideas emerging in the early 1950s at the University of Chicago, it proposed that competition itself, rather than competition law, would undermine monopoly. In more general terms, the market rather than the state was the solution to the competitiveness problem. Mirowski and Plehwe emphasise the importance of this subtle but profound change, marking as it did ‘a crucial watershed in the emergence of neoliberalism.’²² Stedman Jones describes the post-Second World War evolution in thinking about the nature of monopoly as being one in which the state needs to ‘police and prevent monopoly’ to one in which monopoly was seen as ‘relatively harmless.’²³ If the nomenclature of state agencies is a reflection on some level of prevailing ideas, then the way in which the name for what began in 1948 as the ‘Monopolies and Restrictive Practices Commission’ changed, is revealing.²⁴ With the Restrictive Trade Practices Act, 1956 it became the ‘Monopolies Commission’ and then, in 1973, the Restrictive Trade Practices Act led to the name, ‘Monopolies and Mergers

²² Philip Mirowski and Dieter Plehwe, *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (London: Harvard University Press, 2009), 219.

²³ Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Woodstock, Oxfordshire: Princeton University Press, 2012), 6-7.

²⁴ The Monopolies and Restrictive Practices Commission was established under the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948.

Commission.ø By 1999, the term ‘monopoly’ had been eliminated altogether from the Commission’s title as it metamorphosed into a ‘Competition Commission’ and ultimately into a ‘Competition and Markets Authority’ in 2014.²⁵

This changed way of thinking about competition in clearing banking was surfacing amongst policymakers in the Treasury; in universities and ‘think tanks’ notably the Institute of Economic Affairs; in the financial media; and, in a rather more equivocal way, amongst bankers. It started from the premise that a more natural and healthy condition for clearing banking was one in which competition prevailed. The Conservative Party, victorious at the 1955 general election put it very simply: ‘We reaffirm our belief in the system of free competitive enterprise.’²⁶ Collective agreements on the other hand were unnatural in that they suppressed the individuality of banks and were incompatible with efficiency. In 1955 Sir Oliver Franks, Chairman of Lloyds Bank Limited,²⁷ voiced his desire that banking should ‘revert at the earliest possible moment to a position where the banks conducted their business on a free enterprise and competitive basis.’²⁸ The self-denying ordinance under which the clearing banks refrained from providing banking services which one of the other clearing banks had declined on the grounds of government credit restrictions, was an impediment to competition and, furthermore, it undermined the ‘independent judgment of individual banks.’²⁹ The Governor of the Bank acknowledged that competition was being artificially impeded as a result of government policy. Credit restrictions in a variety of forms had been in

²⁵ Competition Commission, accessed 26 January, 2015, <https://www.gov.uk/government/organisations/competition-commission>. The Competition Commission closed on 1 April, 2014 and its functions were transferred to the new ‘Competition and Markets Authority.’

²⁶ CPA PUB 155/6/1, p.17.

²⁷ Sir Oliver Franks chaired the bank from 1954 to 1962.

²⁸ Informal Note of a meeting with Lord Aldenham on 3 November, 1955, Governor of the Bank of England, 18 November, 1955, LMA CLC/B/029/MS32259/002. The Note was circulated to members of the Committee of London Clearing Bankers.

²⁹ Ibid.

place for most of the post-war period. It would, however, be unnatural for these to be a permanent feature of the monetary landscape as this would inhibit 'free competition amongst the banks' and would prejudice both 'their efficiency and their services to the public.'³⁰ The Chief Executive Officers of the Clearing Banks were cognizant of that same tension: restricting credit relied heavily upon the clearing banks working collectively - even though working collectively went against the grain of competition in banking. Accordingly the self-denying ordinance could not be dispensed with while credit restrictions remained in force. They concurred, however, with the underlying philosophy that, 'banking as a whole suffers when the element of healthy competition is withdrawn.'³¹

Towards the end of the 1950s, the case for competition was being made in relation other sectors of the market for credit. The demand for credit in the form of hire purchase finance was growing strongly, underpinned by the fact that real gross domestic product per head, taking 1948 as the base year at 100, had increased to 131 by 1960.³² In 1947 hire purchase and other instalment credit outstanding stood at £68 million; in 1960, the equivalent figure (in nominal terms) was £935 million.³³ One of the very earliest Institute of Economic Affairs publications, 'Hire Purchase in a Free Society'³⁴ put forward the philosophical case for a radically free market in hire purchase finance. The Institute, formed in 1955, was to become 'one of the most influential think-tanks in modern Britain.'³⁵ The publication's

³⁰ Speech by C.F. Cobbold, Esq., Governor of the Bank of England, at a Dinner given by the Lord Mayor to the Bankers and Merchants of the City of London, 9 October 1956, from LSE Library's collections, Piercy 9/73, Banks.

³¹ Minutes of a Meeting of the Chief Executive Officers of the Clearing Banks, 18 July 1957, LMA CLC/B/029/MS32037/010, Committee of London Clearing Bankers and Chief Executive Officers' Committee Minutes (2/7A and 2/7/1).

³² David Butler and Gareth Butler, *Twentieth-Century British Political Facts 1900-2000*, 8th ed. (Basingstoke: Palgrave Macmillan, 2000; reprint, 2005), 411.

³³ Butler and Butler, *Twentieth-Century British Political Facts 1900-2000*, 427.

³⁴ Ralph Harris and Arthur Seldon, 'Hire Purchase in a Free Society,' (London: Institute of Economic Affairs, 1958).

³⁵ Oxford Dictionary of National Biography, online ed., s.v. 'Fisher, Sir Antony George Anson (1915-1988),' accessed 27 January, 2015, <http://www.oxforddnb.com/view/article/59542>.

author was Ralph Harris who became its General Director in 1957, a post he held until 1987. Presciently, 'Hire Purchase in a Free Society' linked property ownership with a free society: 'Ownership means power, and it is on the widespread dispersal of power that the hopes of a free society rest.'³⁶ The availability of credit on hire purchase was therefore 'an accompaniment of an expanding economy within a free society.'³⁷

Commenting on that publication in a paper to the Governors, Leslie O'Brien, then Chief Cashier at the Bank and a future Governor,³⁸ was more circumspect. He accepted that, if the question was considered purely on economic grounds, controls over hire purchase credit were not required. There were, however, other more important factors to consider. He outlined four reasons why the state might want to exercise control over hire purchase: first, to affect the balance of payments position; next, to ensure the stability of the hire purchase sector; and finally, for either wider political or wider social reasons. Politically, it would be difficult for the authorities to continue to impose restrictions on the banks without also imposing restrictions on providers of hire purchase finance. Socially, restricting hire purchase might provide 'elbow room' for increasing expenditure on public services.³⁹ The first two reasons were, at present, the most compelling: controlling hire purchase enabled the authorities to stem the demand for imports when that was required for balance of payments purposes. It also enabled them to moderate any volatility in the amount of outstanding hire purchase debt. For these reasons, 'powers to impose terms'⁴⁰ control [over hire purchase

³⁶ Harris and Seldon, 43.

³⁷ Harris and Seldon, 41.

³⁸ Leslie O'Brien was Governor of the Bank from 1966 to 1973.

³⁹ Note on 'Hire Purchase', Leslie O'Brien to the Governors, 17 August, 1959, 7, BoE EID4/161, Home Finance: Financial Institutions Other Than Banks - Control of Other Financial Institutions.

⁴⁰ Terms control referred to controls over the amount of deposit and the maximum length of the repayment period for the good purchased on hire purchase.

credit] must be retained⁴¹ he concluded. The Bank's objections to a radically free market in hire purchase credit rested rather more on pragmatic grounds than philosophical ones.

By the early 1960s, the argument for greater competition was being pressed further. Competition was required not only between the clearing banks, but across banking, more widely defined. Humphrey Mynors, Deputy Governor of the Bank of England from 1962 to 1964, chided the 'Big Five'⁴² for operating 'at the static end' of the market for deposits rather than plunging in to the growth end 'where the Trustee Savings Banks, the Building Societies, and 'new financial institutions still of dubious solidity' were successfully winning business.⁴³ The *Times* in November 1963 reported Ian Macdonald, Chairman of one of the Scottish Clearing Banks, the National Commercial Bank of Scotland, calling into question a very central tenet of the cartel: the agreement that all members should pay the same rate of interest on monies held in deposit accounts. In his annual review to shareholders he called for the single rate to be replaced with 'graduated rates and, above all, with negotiability.'⁴⁴ In addition, a far more pro-active attitude was required: clearing banks needed to 'go out of their way'⁴⁵ to win market share from their competitors 'it would not simply drift in their direction. Beyond those mentioned by Macdonald, another formidable competitor was emergent in the form of American banks. In the mid-to late 1960s the American banks were swallowing large volumes of deposits: their deposits increased from £3.25 billion at the end of 1967, to £12.50 billion by mid-1971.⁴⁶

⁴¹ Note on 'Hire Purchase', Leslie O'Brien to the Governors, 17 August, 1959, 7, BoE EID4/161, Home Finance: Financial Institutions Other Than Banks - Control of Other Financial Institutions.

⁴² The 'Big Five' referred to the five largest of the eleven clearing banks, namely, Barclays Bank, Lloyds Bank, Midland Bank, National Provincial Bank and Westminster Bank.

⁴³ Note on 'Bank Amalgamations', Humphrey Mynors, 17 September, 1962, BoE G1/13, Governor's File: Various Bank Mergers and Amalgamations.

⁴⁴ The *Times*, 27 November, 1963, TNA T386/299, Bank of England Paper on the Role of Building Societies Arising from the Government and Building Society Joint Advisory Committee.

⁴⁵ *Ibid.*

⁴⁶ *The Economist*, 'The banking revolution', 18 September, 1971, p.69.

While some bankers were challenging aspects of the cartel arrangements, the clearing banks did not have a strong incentive to diversify into and compete in other sectors as long as they could prevent entry into the specialist field of clearing banking by adopting restrictive practices.⁴⁷ The debate about competition in banking began to be framed in terms of their 'restrictive practices'. This way of framing the problem of competition marked a conceptual shift. The Labour Party in its 1945 general election manifesto had committed itself to prohibiting what it described as 'Anti-social restrictive practices.'⁴⁸ The use of this phrase carried a subtle but important implication: that there might be some restrictive practices which were not anti-social, but which worked in society's interests. By the early 1970s, no distinction was being made between restrictive practices which were anti-social, and those which conceivably, might work in society's interest. In November 1970 Nicholas Ridley, Parliamentary Under-Secretary of State at the Department of Trade and Industry in the newly-elected Conservative government, attempted - unsuccessfully - to refer the clearing banks to the Monopolies Commission. Rather than referring individual banks to the Commission in the context of a proposed merger, however, he wished to refer 'the [banks] collective restrictive practices' to it.⁴⁹ This implied that their collective agreements were against the public interest per se given that the fundamental criterion for taking action against monopolies, mergers, and restrictive trade practices was that they operated against the public interest.⁵⁰ The heart of the competition problem was not so much the potential for monopoly or the dangers posed by

⁴⁷ Following the identification of the Macmillan Gap in 1931 the clearing banks took a more proactive approach to competing in new sectors, for example, they 'poached business' from the agency 'Credit for Industry', see Peter Scott and Lucy Newton, 'Jealous Monopolists? British Banks and Responses to the Macmillan Gap During the 1930s,' *Enterprise & Society* 8, no. 4 (2007): 914.

⁴⁸ UK General Elections: Party Manifestos, 'Let Us Face the Future: A Declaration of Labour Policy for the Consideration of the Nation,' accessed January 30, 2015, <http://www.politicsresources.net/area/uk/man/lab45.htm>.

⁴⁹ Letter from Nicholas Ridley to the Chief Secretary to the Treasury, 20 November 1970, TNA T326/236, Competition between the London Clearing Banks and Other Banks for Deposits. The proposal was not acted upon.

⁵⁰ A Review of Monopolies and Mergers Policy: A Consultative Document, May, 1978, Cmnd. 7198, para 2.1, p.5.

excessive competition with its corollary, predatory pricing, it was the existence of collective restrictive practices.

In 1970, vocal support for competition in banking came in the form of an Institute of Economic Affairs Hobart Paper, titled "Competition in Banking." Its author was Brian Griffiths, an academic economist at the London School of Economics and Political Science, who would become Head of Prime Minister Margaret Thatcher's Policy Unit from 1985 to 1990.⁵¹

"Competition in Banking" proposed a radical transformation of clearing banking. For Griffiths, the overriding imperative was for a more efficient banking system. Its inefficiency had two root causes both of which undermined the competitiveness of banking: first, the cartel agreements between the banks, and second, its "close regulation by Government."⁵² The remedy to this inefficiency was to "remove *all* obstacles to potential new entrants into the industry."⁵³ Under Griffiths' plan, the public interest (not explicitly defined) would be served if banking was "made competitive" and was "subject to the minimum controls of the Bank of England and the Treasury."⁵⁴ The Paper recommended an end to "rate-fixing" between banks, and that banks should be able to set their own liquidity and cash ratios. Moreover, barriers to entry into retail banking and to membership of the clearing house should be abolished he argued.⁵⁵ The publication came to the attention of policymakers and politicians: it was discussed within the Treasury and in December 1970 was the subject of ten written questions tabled by the Conservative MP Wilfred Proudfoot,⁵⁶ asking the Chancellor of the Exchequer

⁵¹ *Who's Who*, "Griffiths of Fforestfach, Baron," accessed 2 January 2015, <http://www.ukwhoswho.com>. Griffiths held positions at the London School of Economics and Political Science from 1965 until 1976 and at City University from 1977 and 1985. A Life Peerage was conferred on him in 1991.

⁵² Brian Griffiths, "Competition in Banking," (London: Institute of Economic Affairs, 1970), 35.

⁵³ Griffiths, "Competition in Banking," 61.

⁵⁴ Extract from "Competition in Banking" by Brian Griffiths, Published by the Institute of Economic Affairs, TNA T326/236, Competition between the London Clearing Banks and Other Banks for Deposits.

⁵⁵ *Ibid.*

⁵⁶ Proudfoot was a Member of Parliament for the constituency of Brighouse and Spensborough.

whether he would be taking action to implement Griffiths' recommendations. The new policy of 'Competition and Credit Control' the following year would put the underlying philosophy of 'Competition in Banking' into practice.

The Consequences of Competition: Bank Practices

In the late 1960s, as the imperative towards competition gathered momentum, two aspects of banking practices came under the spotlight. Both tended to moderate competition. First, there was the issue of the clearing banks' collective pricing agreements on rates of interest. These included the agreement that no interest would be paid on current accounts and that a standard rate of interest would be paid on amounts in deposit accounts. The second practice related to how banks disclosed their profits and reserves in their annual accounts. Both issues had been addressed in the 1967 National Board for Prices and Incomes report on *Bank Charges*. The report had been unambiguous in recommending both the abolition of the collective pricing agreements and, that, in relation to their accounts, 'To sharpen the competitive pressures on the banks and therefore between the banks and other institutions we recommend that [] the Government should aim at ensuring complete disclosure of profits and reserves as soon as is practicable.'⁵⁷ The *Times* in January 1969 echoed the sentiments of the NBPI, urging the Committee of London Clearing Bankers 'to abandon [] the cartel on interest rates.'⁵⁸

The practice of banks not fully disclosing their profits and reserves and creating 'hidden' or 'inner' reserves was a practice which stretched back into the nineteenth century and was

⁵⁷ National Board for Prices and Incomes, *Report No. 34, Bank Charges*, May 1967, Cmnd. 3292, paras. 184 and 190. The London Clearing Banks and the Scottish banks were the subject of the reference on 22 June, 1966.

⁵⁸ The *Times*, 22 January, 1969, TNA T326/861, Consideration of the Monopoly Commission's Report on Clearing Banks' 'Cartel' Interest Rates by the Banking Study Group 1968.

not one which was confined to banks.⁵⁹ Transfers to hidden reserves involved the allocation of part of the current year's profit to a provision for contingencies, as opposed to allocating it to reserves, distributing it as dividend, or carrying it forward as profit. Capie and Billings make the telling point that whereas today this accounting treatment of bank profit seems anachronistic, it was a practice which required a high degree of trust and that, in contrast with today, transparency per se was not necessarily seen as the way to persuade depositors and shareholders to place their trust with a bank.⁶⁰ The move towards full disclosure of profits and reserves is not discussed further here as it has been very well chronicled and analysed by Billings and Capie.⁶¹

The view of the authorities with respect to the cartel was to change in a relatively short time. As late as September, 1968, *The Economist* referred to the Treasury's "rooted opposition to a ban on the clearing bank cartel."⁶² The following year, the Labour Chancellor of the Exchequer, Roy Jenkins informed the House of Commons that: "The Government have therefore concluded that the public interest would not be served, at any rate at the present time, by urging the banks to abandon their agreement upon deposit and lending rates."⁶³ The general election of 18 June, 1970, however, ushered in a Conservative government under Prime Minister Edward Heath promising to "pursue a vigorous competition policy."⁶⁴ Within a year, in May, 1971, the Bank of England had published a consultative paper setting out the new policy, "Competition and Credit Control" *The Economist* referred to the new policy as a

⁵⁹ Mark Billings and Forrest Capie, "Transparency and Financial Reporting in Mid-20th Century British Banking," *Accounting Forum* 33, no. 1 (March, 2009): 43-4.

⁶⁰ *Ibid.*, 48.

⁶¹ Billings and Capie, "Transparency and Financial Reporting in Mid-20th Century British Banking."

⁶² *The Economist*, "The Banks, the Giro, and Mr Crosland," 21 September, 1968, p.78.

⁶³ HC Deb 25 July 1969 vol. 787 cc604-5W.

⁶⁴ "A Better Tomorrow: The Conservative Programme for the Next Five Years," CPA PUB 156/1, p.13.

“revolution in banking.”⁶⁵ A speech on the Common Market on 9 September 1971 by Anthony Barber, Chancellor of the Exchequer, referred to the changes as, “by any standards a milestone in Britain’s monetary history” and ones which would “give full scope to competition and innovation.”⁶⁶

The political philosophy underlying “Competition and Credit Control” was one which embraced competition in banking: it came into effect from 1 October 1971 and under it the clearing banks were required to abandon their collective agreements. In addition, it tilted monetary policy decisively towards “monetarism” it emphasised controlling the money supply as a key tool of economic management, as opposed to using changes in interest rates, or requiring the banking system to enforce credit restrictions. Whereas for many years the focus of monetary policy had been on influencing the volume of bank lending to the private sector, its focus now was with the money supply - “the broader monetary aggregates [] the money supply [] or domestic credit expansion.”⁶⁷ In this respect “Competition and Credit Control” can be seen as one aspect of the monetarist counter-revolution, a philosophy which in the words of the *Financial Times* meant “assigning increasing importance to the role of the quantity of money in determining what happens to the economy.”⁶⁸ Monetarism had not emerged suddenly: the National Economic Development Council pointed to its long gestation period. It had been emerging throughout the 1960s, notwithstanding the demand

⁶⁵ *The Economist*, “The banking revolution,” 18 September, 1971, p.67.

⁶⁶ News Release, 548/71, Conservative Central Office, 9 September, 1971, BI PPA 5/63A, Barber of Wentbridge.

⁶⁷ Bank of England Economic Intelligence Department, *Competition and Credit Control: Articles from the 'Bank of England Quarterly Bulletin', Volume 11, 1971* (London Bank of England, Economic Intelligence Department, 1972), 7-8.

⁶⁸ *Financial Times*, 9 April, 1970, MRC MSS 200/C/3/ECO/2/29, Correspondence and related papers re domestic monetary policy.

management bent of the 1959 report by the Committee on the Working of the Monetary System.⁶⁹

As far as the banks were concerned, a key feature of the policy was that it set out a new 'reserve ratio' for application across the entire banking system. This required banks to maintain an amount equivalent to at least 12½ % of their sterling term deposits of less than two years, in the form of reserve assets. Reserve assets included: balances with the Bank of England (other than Special Deposits), UK and Northern Ireland treasury bills, money at call with the London money market, company tax reserve certificates, British Government stocks with under one year to maturity, local authority bills and certain commercial bills. The Finance Houses were given a transitional period to move to the new ratio.

The reserve ratio took the place of the liquidity ratio. The latter had been a ratio which was adhered to by convention, rather than being a legal requirement. Under the convention, the clearing banks held liquid assets (cash, money on call and discounted bills) equivalent to 30% of their total deposits as at March each year. The *Report of the Committee on the Working of the Monetary System*⁷⁰ in 1959 noted the banks' highly prudent approach to liquidity: 'the banks traditionally like to hold themselves in an exceedingly strong position for meeting demands for cash either for circulation or to meet adverse clearing balances.'⁷¹ It hinted that the banks were, if anything, being over-prudent: the ratio 'has been inherited from the period when the banks in this country were many more in number and much smaller in size.'⁷² Given that much clearing bank lending was short-term working capital, it was not inherently high-risk lending. The Chairman of Lloyds remarked to its shareholders in 1954 -

⁶⁹ Memorandum from the Treasury, 'The Role of Monetary Policy', 27 April, 1971, para. 4, MRC MSS 200/C/3/ECO/2/29, Correspondence and related papers re domestic monetary policy.

⁷⁰ The Committee had been appointed in May, 1957 and was chaired by Lord Radcliffe.

⁷¹ Committee on the Working of the Monetary System, *Report*, Cmnd. 827, August 1959, para. 139.

⁷² *Ibid.*, para. 352.

almost sheepishly - that, 'It is true that our bad debts in recent years have been small.'⁷³ By convention as well, 8% of banks' total deposits were held in the form of cash (that is, balances with the Bank of England together with cash in tills and vaults). In 1963, the Governor of the Bank had sought the 'advice and opinion' of the clearing banks as to whether the 30% convention was correct. The view of the clearing banks was that a figure of '25% would be entirely suitable for the conduct of the Clearing Banks' business under current conditions.'⁷⁴ By the time of the NPBI's report on *Bank Charges*, the liquidity ratio had settled at 28% with the banks expected to maintain a cash ratio of 8%, plus a ratio of 20% in the form of specified liquid assets.

Accounting ratios can be viewed as one of the extra-legal methods of regulating banks because ratio requirements have an influence on the structure of their balance sheets. 'Competition and Credit Control' modified the way ratios worked as regulatory instruments in three ways. First, the new policy signalled the end of the liquidity ratio, and a reduction in level of liquid assets required to be held. *The Economist* calculated that the liquid assets required under the new 12½ % reserve ratio were equivalent to a liquidity ratio of around 15% to 20% under the previous liquidity ratio.⁷⁵ It was therefore a liberalising measure, lowering of one of the barriers to entry into clearing banking. Second, in the past, the liquidity ratio had not been a legal requirement: it was adhered to by the clearing banks by convention. This conventional requirement was replaced by a ratio which was a legal, or at least a quasi-legal, requirement, as it was enshrined in the new policy. In this way it was representative of a more general trend towards codified, formal rules. Finally, the fact that the new reserve ratio

⁷³ Statement by the Chairman accompanying the Report of the Directors and Balance Sheet for the Year Ended 31 December 1954, p.7.

⁷⁴ Minute of an Informal Meeting of the Committee of London Clearing Bankers, 2 May 1963, LMA CLC/B/029/MS32037/014, Committee of London Clearing Bankers and Chief Executive Officers' Committee Minutes (2/7A and 2/7/1).

⁷⁵ *The Economist*, 'Yes, at last, revolution for the City,' 22 May, 1971, p.70.

applied to the entire banking system reflected the growing idea that the banking sector was no longer made up of separate components, each fulfilling a specialist function. Rather, from the regulator's point of view, banks were beginning to be viewed more homogeneously, signalling that the era of a highly compartmentalised banking sector was over. Thus, individual banks, merchant banks, foreign banks in London, and certain of the banks subsidiaries were covered by the new ratio requirement, although the savings banks, the giro and the building societies were outside its scope.

The new reserve ratio was in place for a further ten years. It lapsed on 20 August, 1981 when it was replaced by a requirement to hold ½ % of eligible liabilities on deposit with the Bank on a non-interest-bearing basis. This represented a reduction in the ratio: under the Competition and Credit Control an average of 1½ % of eligible liabilities had been maintained in such accounts, as part of the reserve ratio.⁷⁶

The Consequences of Competition: Market Structure

These changing ideas about the need for competition in banking had implications for the market structure. If monopoly was corrected by the market, then amalgamations between clearing banks became decidedly less problematic. This was signalled in a somewhat understated way by the Bank Governor Leslie O'Brien in June 1967 in response to an expression of interest by Barclays in merging with Martins. O'Brien recorded in a note that 'it was conceivable that the authorities would not object to some further amalgamation [if] Barclays wished to make an approach to Martins I would not wish to say them nay.'⁷⁷ Then, in the late 1960s, a flurry of merger activity occurred: in 1968, two of the larger clearing

⁷⁶ 'Monetary control provisions', Bank of England Quarterly Bulletin, September 1981, p. 347-50.

⁷⁷ Governor's Note, Leslie O'Brien, 22 June, 1967, BoE G1/13, Governor's File: Various Bank Mergers and Amalgamations.

banks - the National Provincial Bank and the Westminster Bank - merged. In the same year, the process of merging Barclays Bank and Martins Bank began, with the merged bank operational from 1970. Finally, Williams Deaconø, Glyn Mills and National merged in 1970 to become Williams & Glynø Bank.

Mergers within banking can be set within the context of an unfolding, more general discourse about take-overs. Take-overs were becoming a prominent feature of the industrial landscape. The take-over of British Aluminium in 1957-1958 by Reynolds Metals, a US company, and the British firm, Tube Investments, was òa symbolic, epochal episode,ö according to Kynaston.⁷⁸ This particular take-over, he argues, was a watershed, exemplifying a change of culture in the City, from the culture of the gentleman - to whom the idea of a hostile take-over was anathema ó to that of the player. The Committee of London Clearing Bankers had debated internally what constituted a òproperö take-over, that is, one which was in the public interest and had concluded that:

where the two parties concerned are engaged in the same or a similar line of business and the transaction is for the benefit of the company whose shares are being bought, the presumption is that the transaction is a proper one; [í] if these conditions are not fulfilled and the transaction is purely a financial one, there is a presumption that the transaction requires careful investigation by any Bank or other prospective lender.⁷⁹

The Committeeø logic was, however, increasingly out of alignment with the new way of thinking about take-overs, which came to fruition fully in the 1960s.

This new way of thinking interwove two ideas. First, the idea was gaining ground that one important reason why the UK economy was declining, in relation to its competitors, was because of the relatively small size of its operating units. The Industrial Reorganisation

⁷⁸ David Kynaston, *The City of London. Volume Iv: A Club No More* (London: Pimlico, 2002), 107-16.

⁷⁹ Minutes of the Committee of London Clearing Bankers, 3 December, 1953, LMA CLC/B/029/MS32037/008, Committee of London Clearing Bankers and Chief Executive Officers' Committee Minutes (2/7A and 2/7/1).

Corporation (IRC), established in 1966, was expressly designed to rectify that problem. The Command Paper noted how 'many of the production units in this country are small by comparison with the most successful companies in international trade.'⁸⁰ Accordingly, the Corporation's purpose was to seek out opportunities for 'rationalisation schemes.'⁸¹ The *Times* described its objective as 'to help in the task of welding much of British industry into bigger and more efficient units.'⁸² Large entities could take advantage of economies of scale and / or scope and the concomitant reduced costs, in a way that small entities could not. Any merger which took place under the aegis of an IRC scheme would be exempt from referral to the Monopolies Commission.⁸³ In the banking sector a similar sentiment was emerging in the Bank of England. A Bank official observed: 'I am attracted by the idea of a clearing bank coming to be the centre of a group of concerns covering the widest range of financial interests. H.S.C objects that such a development would lead to a reduced field of choice [] It seems to me more important, however, that it would lead to the creation of the powerful units that are increasingly necessary in international trading.'⁸⁴

The second idea was that take-overs were a mechanism for improved efficiency. In the several decades after World War II, managerial capitalism had emerged in the UK and had brought the agency problem to the fore.⁸⁵ The agency problem posed the following question: in a large entity which requires the separation of ownership from day-to-day control, how can shareholders ensure that the company is directed and controlled by in the interest of shareholders, rather than in the interest of the executive directors? One way of achieving this

⁸⁰ *Industrial Reorganisation Corporation*, January, 1966, Cmnd. 2889, para. 3, p.2.

⁸¹ *Ibid.*, para. 5, p.2.

⁸² *The Times*, 13 July, 1966.

⁸³ *Ibid.*, para. 11, p.4.

⁸⁴ Note on 'Westminster Bank/Brown Shipley, to Mr Morse and the Governors, 8 June, 1965, BoE G1/13, Governor's File: Various Bank Mergers and Amalgamations.

⁸⁵ Alfred D. Chandler Jr, 'The Emergence of Managerial Capitalism,' in *The Rise of Big Business*, ed. Barry E. Supple (Aldershot: Edward Elgar Publishing Limited, 1992), 207-36.

was to ensure that there was an efficient market in 'corporate control'. Take-overs were one aspect of such a market because they provided a mechanism for swiftly replacing inefficient managements. This was the backdrop against which several bank amalgamations took place in the 1960s.

In 1962, the first amalgamation of London clearing banks since the Second World War took place when the District Bank Limited (one of the 'Little Six') and the National Provincial Bank Limited (from the 'Big Five') amalgamated. The Bank of England was more amenable than it might have been to this amalgamation because District was to continue operating as a separate entity.⁸⁶ In early 1968 Westminster Bank Limited merged with the National Provincial Bank Limited, 'with remarkably little fuss,'⁸⁷ the merged entity operating as the National Westminster Bank from 1970. This merger was of greater significance than that of National Provincial with District in that it was a merger of two of the 'Big Five'. The 'Big Five' banks had accordingly become the 'Big Four'. There was, however, no reference of the merger to the Monopolies Commission, the remit of which had been expanded under the Monopolies and Mergers Act, 1965 to include the control of mergers, and by the extension of its remit to the supply of services as well as goods.

In contrast, when, within a few weeks, Barclays, Lloyds, and Martins, proposed to merge - the news of which came as 'bombshell' according to *The Economist*⁸⁸ - the putative merger was referred to the Monopolies Commission. *The Economist* speculated that the reference to the Commission was made at the behest of the Prime Minister, Harold Wilson, personally. Given that the Bank, the Treasury and the Board of Trade were 'marginally in

⁸⁶ Note on 'Bank Amalgamations', Humphrey Mynors, 15 August, 1962, BoE G1/13, Governor's File: Various Bank Mergers and Amalgamations. District continued to operate as a separate entity until 1968.

⁸⁷ Kynaston, *The City of London. Volume Iv: A Club No More*, 388.

⁸⁸ *The Economist*, 'Britain's Superbank', 10 February, 1968, p.49.

favour,⁸⁹ of a merger, the reference to the Commission was unexpected and awkward. The Commission were influenced by the fact that one clearing bank merger was already underway at precisely the same time as this proposed merger. Moreover, a merger between the three banks would have created a clearing bank colossus.⁹⁰ A note to the Governor in July 1968 showed that if Barclays, Martins and Lloyds had merged, they would have held 47.9% of London Clearing Bank deposits:

Table 2: Deposits by Group on 17th July, 1968⁹¹

Group		Deposits (£m)	Group Total (£m)	%
1	Barclays	2,528.3		
	Martins	509.1	3,037.4	29.0
2	Westminster	1,411.8		
	National Provincial	1,167.6		
	District	344.5		
	Coutts & Co.	71.5	2,995.4	28.5
3	Midland	2,186.3	2,186.3	20.8
4	Lloyds	1,979.6	1,979.6	18.9
5	Williams Deacon & Co.	172.6		
	Glyn, Mills & Co.	74.1		
	National	47.3	294.0	2.8
	Total		10,492.7	100

The Commission voted six-to-four against a merger of all three banks, and of a merger between Barclays and Lloyds. This vote did not reach the two-thirds threshold required for the President of the Board of Trade to make a decision. The matter was therefore referred to the Government which agreed that neither merger should proceed. In their report, the

⁸⁹ *The Economist*, 'Bankers' Cliff-Hanger', 13 July, 1968, p.59.

⁹⁰ *Ibid.*, p.60.

⁹¹ 'Committee of London Clearing Banks: Grouping of Deposits on 17th July, 1968', BoE G1/13, Governor's File: Various Bank Mergers and Amalgamations.

Commission had defined what it understood to be in the public interest, in the context of clearing banking; it was, quite simply, "competition among banks."⁹² By November, 1968, the merger to which the Commission did not object, that of Martins with either Barclays or Lloyds, went ahead, when Martins became a wholly-owned subsidiary of Barclays. The view was crystallising, notwithstanding the decision on Barclays, Lloyds and Martins, that larger banks were not necessarily an impediment to competition - and were, conceivably, a way of advancing it. In commenting on the prospective three-way merger, *The Economist* articulated the decidedly warmer attitude towards larger banks, drawing attention to the advantage which larger banks might yield to British banks operating in the global arena: "They would give Britain the kind of superbanks required by the growing demands of British and international business companies."⁹³

Conclusion

The theme explored here has been the ideological change in relation to competition in banking and its interaction with the market structure. Its starting point was that banking was uncompetitive and therefore inefficient. It diagnosed the root cause of banking's lack of competitiveness as the barriers to entry into the industry, including the various collective agreements between the clearing banks. Eliminating those barriers was imperative, and a more urgent problem than either the problem of monopoly or of excessive competition. Removing the barriers into clearing banking so that other financial institutions could compete with the clearing banks was one side of the coin. The obverse was that the clearing banks needed to compete in markets which in which they had not traditionally competed,

⁹² The Monopolies Commission, *Barclays Bank Ltd, Lloyds Bank Ltd and Martins Bank Ltd: A Report on the Proposed Merger*, para. 272, p.58.

⁹³ *The Economist*, "Britain's Superbank," 10 February, 1968, p.49.

particularly consumer credit. Both developments worked against the grain of specialisation, the hallmark of the banking system. When it presented its report in 1973, the Committee to Review National Savings captured this point perfectly: 'We would question whether the limits to the advantages of specialisation have not been reached and whether increased competition between financial institutions is not inevitable and desirable in the interests of the consumer.'⁹⁴

⁹⁴ Committee to Review National Savings, *Report*, Cmnd. 5273, April, 1973, para. 57, p.25.

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