The Money, Macro and Finance Society at Fifty and Counting

Twenty Years of the Money Study Group,
Thirty of the Money, Macro and Finance Research Group,
and Now the Money Macro and Finance Society

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Alec Chrystal and Forrest Capie[1]
City University of London Business School

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After WWII the monetary environment had been dramatically affected by the measures needed for financing the war. Government debt had soared to over 250% of GDP. The commercial banks' balance sheets were greatly distorted with advances to the private sector having shrunk from over 50% of assets in the pre-war period to around 15%. The banks were keen to restore 'normality' and lend while government was looking to borrow and to restrict advances to the private sector. There were extensive controls on banks, including quantitative controls on lending and strict foreign exchange controls. These controls were still thought to be necessary in the post-war period as the pound was pegged to the US dollar, the country was short of reserves and the balance of payments was weak. The old orthodoxy for controlling monetary growth was said to be impossible to apply. A great debate developed on the nature of the problems and how they might be dealt with. Should the Bank operate on the cash ratio or on the liquidity ratio[2]? Should Bank Rate be used more aggressively? Were further direct controls required? More and more calls were made for an enquiry. And so, the Radcliffe Committee was established in 1957[3].

The Committee reported in 1959. It was a detailed and exhaustive description of the British monetary system but there was no analysis of data. Indeed, the committee complained about the lack of data and called for better collection. Reaction to the Report was mixed. There were many serious critics among monetary economists who found fault – Harrod, Robbins, Morgan etc. And yet more than 25 years later other monetary economists were describing Radcliffe as 'extremely influential' (Allsopp and Mayes 1985).

The Report certainly generated much discussion in the years following its publication. Economists complained among other things about the confusion over liquidity and the focus on advances rather than deposits. But Radcliffe reflected the fact that money was not of great interest after the war as Keynesian fiscal policy was deemed to be the primary tool for controlling aggregate demand while monetary policy was limited by the needs of pegging the exchange rate and financing the government debt.

Harry Johnson had been an important witness called by Radcliffe. In late 1968 he, and his then young colleague Brian Griffiths, published an article in *The Times* stressing the need to use monetary policy to control the money supply, 'instead of as now to provide as cheap as possible finance for the Treasury and to discriminate against particular items of private spending'.[4] It is not surprising that they were at the forefront in initiating a conference to mark the tenth anniversary of Radcliffe's appearance, and to start to encourage a greater attention to money.[5]

[2] Cash refers to currency plus reserves at the central bank. Liquidity includes cash plus marketable securities, such as gilts and Treasury bills.
[3] For a fuller account see Capie (2010). For a recent excellent account of the changing monetary regimes with a focus on banking and the role of the central bank, from WWII to the present see Goodhart (2018).
[4] Harry Johnson and Brian Griffiths, 'Argument over management of the money supply', *The Times,* 29 October 1968, p. 21. It is also important to bear in mind that work of this kind was going on in other countries.
[5] *Committee on the Working of the Monetary System: Report*, Cmnd 827, HMSO, August 1959.

The conference was held in Hove, Sussex over the weekend 25–26 October 1969. It was organized by a group of academics (and a banker) led by Harry Johnson, with financial support from the Committee of London Clearing Banks. 60 people attended, mainly economists from universities and banks, together with five representatives from the Treasury and four from the Bank of England. Such a meeting of policy makers and outside experts was claimed by the organizers to be the first of its kind to be held in Britain. From this conference came the idea to establish a continuing forum for the discussion of UK monetary policy. As explained in Laidler, Nobay and Parkin (1991):

"Hove whetted our appetites for some regular workshop, and at one of the many informal gatherings in Harry's room at the LSE, where wide ranging discussions and generous hospitality were the order of the day, he recalled the by then defunct joint Cambridge-Oxford-LSE seminars. Initially, we broached the idea of a joint LSE-Essex-Southampton money workshop. To Harry, this smacked a little of elitism: why not make it a national forum if we could raise finance and ensure that the meetings would be occasions for serious and productive interchange of ideas? Once an idea made sense to him, Harry wanted immediate action. Luckily, David Worswick and Cathy Cunningham at the then Social Science Research Council immediately agreed that this particular idea had merit and so was born the Money Study Group, and indeed the very concept of Study Groups. It was put to us that it would be politic to come up with a proposal of more than one Group; therefore we indirectly helped set up the Econometric Study Group too!" (Page xii)

So good was this idea that we are now celebrating fifty years of the MSG, subsequently the Money Macro Finance Research Group (MMF) and now the Money Macro and Finance Society that it has morphed into. However, the success of MSG was not just the result of academic enthusiasm. It was also helped by good timing in that the economic environment was changing and new analyses were clearly needed. On top of this, officials in the policy making institutions were gradually becoming more open to external debate, and cooperation from the Bank of England (in particular) was an important boost for the early activities of the MSG (and for much of its later activity too).

We look first at the moves toward openness within the Bank of England and HM Treasury before returning to the activities of the MSG itself.

Bank Opening

When the idea of the Hove conference had first been mooted, in August 1968, it was generally welcomed inside the Bank where there was some preparedness to discuss monetary aggregates and money supply, even if the public stance was much less open. In early 1969, Harry Johnson asked Kit McMahon[6] to give a paper from the perspective of policy makers for the Hove conference with the title: 'The Operation of Monetary Policy since the Radcliffe Report'. McMahon argued in the Bank that presenting such a paper might be a counter to 'some of the nonsense that is bound to get talked', and in any case, if the offer were declined, 'we might look foolish or obsessively secretive'. Leslie O'Brien (Governor) and Douglas Allen (Permanent Secretary, HMT) agreed that it would make sense if the final paper was in the joint name of the Bank and the Treasury. The paper was mainly the work of McMahon, together with inputs from Charles Goodhart.

With less than a month to go before the conference, the Treasury attempted to distance itself from the paper and decided that the paper should be presented by the Bank, with a statement that the Treasury had been consulted and was in general agreement with the contents, in effect, giving the piece the same status as the Bank of England's *Quarterly Bulletin* articles. The published version says: "*A paper prepared by the Bank of England in consultation with the Treasury*".

McMahon presented another paper in 1969, in which he summarized the Bank's view in the following way: In Britain there was, first, an extraordinarily flexible fiscal mechanism; second, a large public sector, 'totally insensitive to interest rates or any other monetary variables'; third, a large national debt that limited the use of open-market operations; and fourth, a concentrated banking system. These factors, he argued, had resulted in dirigiste rather than 'market' monetary policies – the imposition of ceilings on lending and consumer credit controls. He noted that there had been a growing interest recently in the role money supply played in monetary policy. This had been prompted in part by the dissatisfaction with the results of controls.[7] There was a need, he believed, for a major improvement 'in the UK policy-making process'. 'It may well be that this will involve a greater emphasis on monetary policy than in the past'. (McMahon, 1969)

The Hove paper presented by McMahon was, however, a much more cautious affair that concentrated on describing the recent evolution of the financial system and the main policy actions without any suggested policy changes. One of the discussants at the conference (J R Winton, Economic Adviser at Lloyds Bank) remarked "There is little new in the paper presented by the Bank of England whose message seems to be that 'Radcliffe is alive, well, and living in Threadneedle Street.'" The major change in the monetary policy process had to wait another year and a half. However, the mood inside policy circles was clearly changing.

The participation of the Bank and the Treasury in the Hove conference had been agreed on the

[6] Christopher "Kit" McMahon was an Australian who read PPE at Oxford before becoming an Economic Assistant in HM Treasury and then an economist in the UK Embassy in Washington. He taught economics at Oxford from 1960 to 1964 when he joined the Bank of England. In 1969 he was an advisor to the governors and in 1970 he became an Executive Director of the Bank. From 1980 to 1985 he was Deputy Governor. Charles Goodhart, commenting on this paper, noted that John Fforde and Jeremy Morse were also senior figures inside the Bank at this time who were good economists and open to external debate.

[7] There is a recent literature on direct controls on banking of which a good example on France is Eric Monnet(2018).

basis that it was a private affair[8], and so there was disappointment (in the Bank) when an article appeared in the *Observer* under the name of one the academic participants, Brian Griffiths. It seems that Johnson had encouraged Griffiths to write a report of the conference for publication in a newspaper. Johnson travelled back by train from Brighton with Frances Cairncross of the *Observer* and told her this, and she obtained the article from Griffiths. The newspaper's editorial staff then chopped it about and sensationalized the account by picking up a single sentence from the Bank's paper referring to the failure of economic policy over the previous decade, quite at odds with the authorities' views.

This endangered continued co-operation of the Bank with the academic community. McMahon told the Governor that the conference had been a valuable exercise and that if a similar event were to be repeated, the Bank should welcome this and even be prepared to offer some finance. However, he also warned Johnson that the *Observer* article and its aftermath had not gone down well in either the Bank or the Treasury and that future assistance might have been jeopardized by it. At some distance, this all seems a trivial matter, but it is indicative of the sensitivities of the authorities and the relations between policymakers and professional academic economists at that time. This event may have introduced a bit of caution into Bank and Treasury cooperation with academics for a while, but it did not put an end to it. By the spring of 1971, the Bank saw a great opportunity to use the Money Study Group as a consultative forum for a major reform of monetary policy that delivered on McMahon's suggestion above. We return to this event below.

MSG is born

The four founders of MSG were Harry Johnson, David Laidler, Michael Parkin, and Bob Nobay. There had been discussion in the bar at Hove about how to follow up the debates started at that conference, but the key steps followed a few weeks later, when specific action was initiated to get the MSG up and running.

There was nothing accidental about these four economists getting together. They were already closely connected. Johnson was a Canadian who had read economics at Cambridge in the 1940s and by 1959 was a professor at Manchester and Chicago. Laidler studied for his PhD at Chicago and Johnson was one of his professors there. Laidler returned to the UK in 1966 and took a lectureship at the recently established economics department at Essex University and that year Parkin joined the same department. Parkin read economics at Leicester and Nobay was in the same undergraduate cohort. They became friends.

[8] To be conducted under what became known as "Chatham House Rules", which meant that what was said could not be reported in the media or attributed to individuals.

Harry Johnson took up a Chair at the LSE in 1966 as a joint appointment with Chicago (where he retained a link until his death in 1977). He had been trained as a Keynesian in his undergraduate course at Cambridge and he never could be classed as a monetarist[9], but Johnson saw quickly that UK macroeconomics in general and monetary economics in particular had fallen behind the US and he wanted to help move it forward and especially to help in affecting policy. These founders thought along the same lines, and Alan Walters expressed their American-influenced approach at Hove:

"…….as I read it (the Radcliffe report) my amazement and curiosity steadily increased. For many years I had thought that economics had been steadily accumulating evidence and had been using such data critically to examine theoretical propositions. ……..Yet it was clear that Radcliffe had not even regarded the empirical testing of hypotheses as an appropriate methodology…..The methodology of Radcliffe, although never discussed or justified in the Report, was one of 'institutional insight' instead of testing on the empirical side, and of uncritical acceptance of neo-Keynesianism as a theoretical basis for monetary policy.

The Radcliffe Committee listened to opinion rather than analysed data. For example, it was apparently content with the view of big industrialists that of all the factors that influenced their decision to spend, the rate of interest was the least important. No tests were conducted and no data were surveyed to examine the validity of this contention. A more important example of casual interpretations of evidence was the Committee's attitude to the quantity of money…..Control over the money supply is merely 'incidental to interest rate policy'---but only limited reliance can be placed on this (interest incentive)….The level of demand is influenced by 'liquidity'.

'Liquidity' however is an eternally elusive concept……….it is clearly quite impossible in principle to measure 'liquidity'. No refutable theoretical proposition can be formulated in terms of liquidity. The pure Radcliffe theory can never be tested. (Walters, pages 39-68.)

The Hove conference was an important start to the discussion, but it could not be the end[10]. The MSG was thus intended as a forum to extend the conversation, promote the new methods and push for a re-appraisal of monetary policy that challenged the Radcliffe approach.

The next UK conference that can be thought of as a follow up to the Hove conference was the Sheffield conference on Monetary Theory and Monetary Policy in the 1970s held in September, 1970[11]. The Sheffield conference was not organised by the MSG, though all the key MSG figures attended, and Harry Johnson may have played a role in asking Milton Friedman to attend. Bob Sedgwick, who co-edited the conference volume and was on the staff at Sheffield, recalls that Friedman was keen to meet Jack Gilbert whose papers he had read with interest. Friedman came

[9] See Laidler (1978).

[10] A further stimulus to form a new group resulted from the fact that the Hove conference was not well organised and some among the group of four thought they could do a better job.

[11] This was again supported financially by Shell International through Alan Peters with some additional support from Sheffield University. The proceedings were published in Clayton, Gilbert and Sedgwick (1971).

to the UK for the World Congress of the Econometric Society held in Cambridge earlier that month. Some later MSG publications could be misread as saying that both the Hove conference in 1969 and the Sheffield conference in 1970 were MSG events but they were clearly not[i12]. Nonetheless, both were very influential on the MSG's evolution and many MSG members took part in both.

Regular MSG seminars started in late 1969. They were mainly half-day meetings held at the LSE on a Friday afternoon, once or twice a term, with occasional full-day meetings. (We have only partial information on the dates and speakers at these meetings. See Appendix D). The SSRC grant was mainly used to assist the travel of academics from around the country and to fund secretarial assistance for managing the mailing list and postage [13].

The first "fully fledged" MSG conference was held at the LSE in February 1971. This does not appear to have relied on SSRC funding but rather the renewed assistance of "Mr Alan Peters of Shell International who arranged the necessary funding."

The proceedings of this conference were published with the title: "The current inflation"[14]. This is how the editors introduced the volume.

"*By the early autumn of 1970 it had become evident to economic observers and commentators in the academic world, finance and journalism that this country was experiencing an inflation unprecedented in the post-Second World War period. The inflationary process was most obviously manifest in a sharp increase in the percentage wage increases demanded by the union movement and won in collective bargaining with employers. This had begun towards the end of 1969 and was an issue in the General Election of June 1970. The continuance of accelerated cost and price inflation throughout the rest of the year produced an extremely confused situation among informed observers. On the one hand, those who thought they understood how the economy worked were baffled by the combination of exceptionally high unemployment, unprecedented rates of wage and price increase, and extremely favourable balance of payments, so favourable in fact as to require special measures to stave off unwanted capital inflows. On the other hand, there developed deep divisions in the policy debate among those who favoured an incomes policy, those who favoured demand management and had no faith in incomes policy, and those who favoured demand management but felt that it had failed and that incomes policy was now required as an emergency measure.* …….[five paragraphs later] *….The traditional Phillips curve for Britain clearly does not fit the recent facts. The question is why, and whether the reason makes the Phillips curve an obsolete or merely overly naïve concept." (pages vii-ix)*

By the start of the 1970s the orthodox Keynesian consensus of the 1950s and 1960s was falling apart in the face of events that it could not explain and the need for a radical re-think was becoming

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12 This explains some confusion about the numbering of MMF annual conferences.,
13 And to provide tea and biscuits at the LSE seminars.
14 Johnson and Nobay (1971). See contents of this and other published volumes in Appendix B.

obvious to the open minded. Those who had been directly exposed to the US economics literature, like Johnson and Laidler, were in little doubt that if inflation was the issue then money had something to do with it. For the British Keynesians, the obvious culprit was trade union militancy causing wages to rise (and, after 1973, rising oil prices): cost push. The job for the MSG was to try to sort this out, and much of the MSG's first decade was focused on doing just this…..and some of its second decade too!

Soon after the February 1971 conference, a committee of the MSG assembled a book of readings in British monetary economics. This was because: "…..*the academic participants (of MSG activities to this point in time) became increasingly aware of a serious deficiency in the literature on which to base their teaching. There are already some excellent collections of readings in the field of monetary economics…….but such collections have all been assembled by American editors and …..reflect both the institutional structure of the American monetary system and the policy problems that have concerned American monetary theorists and empirical workers over the years. The present volume is an attempt to fill this gap and to provide British students with a set of readings that will place the issues (…of monetary economics) in the context of the British monetary system."* (H G Johnson, 1972, pages ix-x.) This reader was put together out of already published work by (mainly) UK based monetary economists. However, in the Foreword to this reader, Johnson noted that the editors had found "…an absence of good treatment of the international monetary aspects of and constraints on the conduct of British monetary policy." So, it should be no surprise that the conference planned for February 1972 was, in part, aimed at filling that gap. We return to this event below.

The next big event for the MSG was the one-day conference convened at the Bank of England on 15th June 1971 to discuss a major reform of monetary policy. The Bank's consultation document, 'Competition and Credit Control' (CCC) had been published on 14th May 1971. This outlined the proposals whereby existing liquidity and quantitative controls on lending would be replaced and, at the same time, the clearing banks' agreements on interest rates would be abandoned. It was explained that monetary policy techniques would 'involve less reliance on particular methods of influencing bank and finance house lending and more reliance on changes in interest rates, supported by calls for Special Deposits on the basis of a reserve asset ratio across the whole of the banking system'. Similar arrangements would apply for deposit-taking finance houses. The two key elements were that all banks should 'hold not less than a fixed percentage of their sterling deposit liabilities in certain specified reserves assets', and they should 'place such amount of Special Deposits with the Bank of England as the Bank may call from time to time'. According to the document, the observance of the minimum reserve assets ratio would 'provide the authorities with a known firm base for the operation of monetary policy'. The composition of the reserve ratio, which it was proposed would be set at $12^1/_2$ per cent, was outlined, and it was noted that there would need to be discussion with the London clearing banks about the level of bankers' balances within this. O'Brien emphasised that the basic aim of the system was that 'the allocation of credit is primarily determined by its cost.'

This conference was an important step in the process of policy openness, as there was no precedent for such a formal discussion of a proposed policy change with academics and practitioners outside the policy-making institutions. The meeting was set up as an MSG conference and not a formal consultation on policy by the Bank, even though it was held at the Bank and chaired by Kit McMahon (by then an Executive Director of the Bank). The following is an extract from the Bank's unpublished internal note for the record:

"This seminar, although held in the Bank, was a meeting of the Money Study Group; as such, it was a gathering of economists, not of negotiators. Present were about 35 academics, 15 economists from financial institutions, and a number of people from the Bank and H.M.T…

….The concept of a consultative document and the general approach therein were welcomed, albeit with varying degrees of enthusiasm and not always seriously. Wadsworth estimated it to be the first time for over 250 years that the Bank had consulted anyone. Winton qualified The Times's euphoric statement, that the Document would be the most important paper that any banker alive today would ever read, by recalling earlier false starts and unfulfilled promises in the same field, but commended the Bank for at least on this occasion setting something down in writing.

A number of contributors (e.g. Artis, Newlyn) saw the document as only a first step in the right direction; and even then, something of a compromise. Griffiths preferred to treat it as a hotch-potch of ideas providing something for everyone and plenty of escape routes for the Bank. Grossman (cynically) did not believe that it would ever turn out to be a historic publication because the Bank would never take steps that would harm any section of the financial community and so the more radical of the possible consequence of the proposals would never be manifest. Stamp wondered if lending ceilings would not reappear with the next Labour Government, while Oppenheimer expected them to return in the next crisis."

Out of all the discussion at the seminar, two important subjects can be identified. One was the reserve ratio and the other the gilt market. At one extreme, there were those who would have preferred to do without the ratio and rely wholly on open-market operations, perhaps with the help of special deposits (most were content with retaining the latter). But if there were to be a ratio, there were those who advocated a narrower one (Griffiths) and those who would have gone for a cash ratio (Newlyn and Parkin). The Bank fully accepted that with any ratio there would be transitional and prudential problems but that the cost and difficulty of getting to a ratio (unspecified) would not be too severe for most banks. However, a cash ratio was out of the question. They knew that it might work but were not prepared to face the upheaval it would entail. It would require huge changes in money-market and discount-house practices. They were not prepared to be that revolutionary and were hopeful that the proposed ratio would work like a cash ratio.

On the gilt market, the main worry was that the abolition of quantitative credit controls on banks and the move to control the rate of growth of the money supply by using interest rate policy could lead to instability of the gilt market. Some (Oppenheimer) worried that there could be inconsistency between monetary and fiscal policy because selling government debt to the banks would increase the money supply. Others (Cramp) argued that this implied that budget deficits would have to be financed by selling debt to the non-bank public. Pepper argued that the gilt market was not capable of controlling the money supply without the assistance of other methods. He claimed that aggressive open-market operations would lead to bankruptcies and disorderly markets and the Bank would be unlikely to tolerate this so it would have to provide support for the gilt market.

This conference was thought a great success by the Bank insiders. It raised many points for consideration, but the structure of the event kept the Bank itself out of the direct firing line because much of the time was taken with the external participants arguing among themselves.

This policy change marked the start of some dramatic events in the economy, as CCC swept away the quantitative controls on bank lending and led to both a credit boom and a rapid increase in the money supply. The CCC reforms were implemented in September 1971. A relaxation of fiscal policy in the 1972 budget added a further boost to what became known as the 'Barber boom'. Sterling was floated in June 1972 and this meant that for the first time in centuries (apart from brief suspensions of the gold standard in the nineteenth century and for some years after the First World War), the UK had no "nominal anchor". The rapid money supply growth that followed led to a pick-up of inflation that peaked at over 25 per cent per annum in 1975.

A consensus on the causes of this inflation might have emerged quickly had it not been for the fact that in October 1973 the price of oil quadrupled and this provided refuge for those who continued to see inflation as a cost-push process. The Government of Prime Minister Edward Heath was persuaded of this approach and tried eventually to control the rising inflationary pressure with a prices and incomes policy, that is, wage and price controls.

The 1973 boom and the oil price rise of October 1973 also led to a major backtracking on monetary policy, as Peter Oppenheimer had anticipated. It became clear in late 1973 that monetary policy must be tightened (owing to the house price boom, an output boom and rapidly rising inflation) but the Government wanted to avoid sharp rises in mortgage interest rates (not least because a general election seemed not far off and actually happened in April 1974 partly as a challenge to militant trades unions who had forced a period of power cuts in support of wage demands.)[15]

In December 1973, the Monetary Authorities introduced a scheme known as the Corset (largely the work of Charles Goodhart). The intention was to limit bank lending but without direct controls on lending (which had only recently been removed). So instead of limiting bank lending the corset limited the rate of growth of specific bank liabilities, the logic being that if banks could not attract more interest-bearing deposits, they could not make more loans. In effect, quantitative ceilings

[15] The introduction of wage indexation in late 1973 prevented the real wage decline necessary to deal with the supply shock.

were back. However, the Corset was sufficiently complicated that most did not see that it was another way of achieving quantitative ceilings and so it saved the Bank's blushes.

The February 1971 MSG conference had been focused on inflation and the programme was dominated by empirical papers on the Phillips Curve but there was also a long discussion about incomes policies, though even here the main attempts were to provide an evidence base. The main contributors to this conference were all UK based. In contrast, the February 1972 conference was more eclectic and international. It had some important contributions from significant world academics including Patinkin, Barro, Meigs, Swoboda, and Feige. There were sessions on money in an international economy, on monetary theory and on the working of domestic monetary policy, including CCC, but the core of the programme was devoted to empirical work on key monetary relationships. These included, money demand, term structure, monetary influences on investment and other aspects of the monetary transmission mechanism, thus advancing the core goal of using theory to formulate hypotheses and then testing using the available data[16]. At this conference, there were explicit hints at the new literature on the "monetary approach to the balance of payments" that was emerging viz: "…..the emerging 'monetarist' approach, reverting to Hume's price-specie-flow-mechanism, assumes the mobility of goods and capital among countries, and stresses the self-correcting nature of international reserve flows and the limitations this places on national autonomy in the use of fiscal and monetary policies." (Johnson and Nobay, 1974, page 49) A few months later the world moved to floating exchange rates and this approach was adapted to become a "monetary approach to exchange rates".

The debates for the next several years focused on the big inflation and, at the MSG at least, on how to provide a nominal anchor, especially through money growth targets. Papers presented at seminars and conferences tried to advance knowledge of the big macro relationships such as the consumption function, the investment function, and the money demand function.

The Oxford Years

MSG events settled down after 1972 into a regular pattern with two seminars (or so) per term at the LSE and an annual conference at Oxford. The Oxford conference was suggested by Tony Courakis and he co-organized the first three of these (with Bob Nobay). From 1975 until 1989, he acted as sole convener and chair of this event for fifteen years in a row.

The first Oxford meeting was at Merton College in July 1972 when the Group ran a conference to honour Sir John Hicks, who was awarded the Nobel prize for Economics later that year. The proceedings of this conference were published as a special issue of *Economica* in 1973. Hicks himself gave a fascinating review of his many discussions with Keynes and Robertson (among

[16] The proceedings of the February 1972 conference were published as Johnson and Nobay (1974).

others) and some history on what he called the ISLL (IS/LM) model of the economy. Other speakers included Franco Modigliani and Allan Meltzer. A.G. (Bertie) Hines had agreed to speak but he pulled out at short notice and Tony Courakis (who had been supervised by Hicks) delivered a paper at short notice. David Soskice also spoke but his paper was not included in the publication. However, a paper by David Laidler was added to the publication but not presented at the conference.

The second of the Oxford conferences was held in September 1973, also in Merton College. The theme of the conference was Keynes' monetary economics and the conference featured a survey paper on Monetary Economics by Harry Johnson. There were also papers by Donald Moggridge and Susan Howson, John Flemming, and Richard Jackman[17]. Four of the papers presented were published as a sub-section of the July 1974 edition of Oxford Economic Papers (see Appendix B).

The 1974 Oxford conference at Merton College had the theme of open-economy monetary economics and it was held in honour of James Meade. This event attracted significant international participation. Harry Johnson presented a version of his seminal paper on the monetary approach to the balance of payments and there was a first MSG appearance for Rudiger Dornbusch. Michael Parkin and Marcus Miller both presented papers for the MSG home team and distinguished overseas presenters included Alexander Swoboda and Rainer Masera. Paul Collier and John Whalley also made MSG appearances. Some of the papers presented at this conference were published in a special issue of *Manchester School* (September 1975) and this was the first of what fifteen years later became a regular outlet for MSG/MMF conference special issues.

In 1975 the Oxford conference home moved from Merton College to Brasenose as Tony Courakis, the conference organizer moved his allegiance there. The first Brasenose conference was held in honour of George Shackle but records of the programme are not available and there was no publication that followed.

There is then a gap in our records of conferences until publication of proceeding starts up again in 1984. All we can say is that annual conferences were held at Brasenose each year from 1975 to 1989

The Oxford conferences generally had a participation of between 50 and 70 delegates and the papers were presented over two days and all sessions were plenary. This meant that all delegates attended the same papers and most of them stayed in the host college, and this helped to build many links both formal and informal within the British monetary economics community, just as had been intended. They also attracted many international academics, who were visiting the UK,

[17] Richard Jackman played an important role alongside the Group secretary in organising the regular LSE seminars as he booked the rooms, organised refreshments and ensured the smooth running of IT for the seminars as an LSE insider.

either as speakers or as discussants.

For its first few years of operation the Chair of the MSG was Harry Johnson. The Secretary was Bob Nobay, and Marcus Miller was recruited to be the Treasurer. David Laidler and Mike Parkin were part of the management committee. Tony Courakis also joined the committee from 1972 in his role as organizer of the annual Oxford Conference.

This structure of activity continued for the remainder of the 1970s and up to the end of the 1980s. However, the leadership of the MSG changed in the mid-1970s when Harry Johnson left LSE, Michael Parkin and David Laidler both left the UK to settle in Canada at the University of Western Ontario and Bob Nobay also left the UK for the US. At this point the chairmanship of the MSG passed to Mike Artis who had just taken up a chair at Manchester University and at the same time Richard Harrington became Secretary of the Group.

There was already a connection between Manchester and MSG through Laidler and Parkin. Their Inflation Research Project contributed to some of the activities of MSG, through seminars and conference papers. There was also a special conference in 1978 to honour Harry Johnson after his death, and this contributed to a special issue of Manchester School in 1978. Mike Artis stepped down as Chair of MSG in 1985 but he did play a further important role as editor of *Manchester School* when it was agreed in 1989 that a selection of papers from the annual conference would be published each year as a special issue of that journal. A few one-off themed conferences have also been published as "special" special issues from time to time. The 1990 (first of the regular annual) special issue of *Manchester School* was the last as the MSG as it was also decided in 1990 both to change the format of the annual conference and to change the name of the MSG to the Money, Macro and Finance Research Group (MMF). We return to these changes later below.

Presentations in the 1970s focused on developing econometric evidence on the key macro relationships and on debates about the appropriate policies to be followed to control inflation, including money supply growth targets. The floating exchange rate era, that started for the UK in June 1972 and for other major countries in 1973, created a new set of issues for economists to work on associated with the determination of exchange rates. A closely associated literature, where MSG dissemination was important, was on the "monetary approach to the balance of payments" as introduced by Harry Johnson above. The rational expectations revolution and the emergence of new classical economics also featured from the mid-1970s onwards.

Gordon Pepper, the prominent gilt analyst in the City, was a regular attender (and contributor) at MSG meeting in the 1970s and he later became an advisor to Margaret Thatcher. He gives the MSG some credit for the introduction of "monetarist" ideas into the UK policy arena[18]. Although he also noted: "From our exposure to the Money Study Group we realized that whereas academics could

[18] Gordon Pepper "Inside Thatcher's Monetarist Revolution" Macmillan, 1998

argue about the various theoretical channels of transmission very few of them had a good grasp of which channels were important in practice." (*op.cit.* page 10)

While monetary targets were introduced and debated in the 1970s, in practice monetary control was applied via a combination of the Corset and exchange controls. However, this changed after 1979 with the election of Margaret Thatcher as Prime Minister and with the abolition of exchange controls in 1979 and of the Corset 1980. The issue was: how should monetary control be managed in this new world…..and given that those in power had been persuaded that money mattered. Pepper and a few others of a monetarist persuasion wanted direct monetary base control as the monetary base was the only aggregate that could be controlled directly as a policy instrument. Economists in the Bank and Treasury, however, thought this would be too disruptive to short term interest rates and favored a policy of setting the Bank Rate (or whatever name the official policy rate had at the time). Some of this debate spilled over into MSG meetings but most of the debate was in the inner policy circle (as Pepper recalls).

In 1980, Mrs Thatcher (guided by her advisor Alan Walters) called in the Swiss economist Jurg Niehans to advise her on monetary policy issues. Niehans' advice was not published[19] but he did outline his assessment at one of the MSG's regular seminars at LSE in late 1980, and he published much of what he made of the UK experience in Niehans (1982):

"When the present British government assumed office, it planned to pursue a 'monetarist' policy of reducing the rate of monetary expansion. This reduction was meant to be gradual, leading the economy to non-inflationary growth over several years. It was clearly recognized that this would entail some temporary recession, but with the appropriate amount of 'gradualism' this was expected to be tolerable and a majority of the population seemed to be willing to pay this price for the elimination of inflation.

In a Radcliffian spirit, monetary targets were expressed in terms of an aggregate called sterling M3. ….. The control of £M3, turned out to be an elusive goal….. The harder the brakes were applied, the faster the car seemed to run. This was widely interpreted as a failure to apply monetary restraint. In fact, this interpretation is the opposite of the truth. This is revealed by a look at the monetary base, whose rate of expansion was reduced to a small fraction of what it used to be……..Reserve money as defined in International Financial Statistics was actually lower in October 1980 than it was in September 1979. This was monetary restraint of an abruptness and severity for which there are few recent precedents. Monetary policy did not fail to apply restraint, but it failed to apply it gradually. In the summer of 1979, the expansion of the money supply [M0?] was brought virtually to a full stop. This seemed to be almost completely unintentional. In fact, hardly anybody seemed to notice. Statistical data on the monetary base were not published in the United Kingdom and the International

[19] It would have been awkward to publish it given that the Conservative MTFS focused on £M3 which Niehans was in effect saying was the wrong aggregate.

Monetary Fund publishes them only on a quarterly basis and with a considerable delay. Unbelievable as it sounds, U.K. monetary policy produced abrupt contraction without really trying, as the result of choosing the wrong target variable. The economic cost of this error was a dramatic deepening of the recession. Most likely, the recession was even deeper than if the restraint had been recognized as such, because in the latter case expectations would have reacted more promptly, inflation would have declined faster and the contraction in output and employment would have been milder." (op.cit. pp11-12)

Niehans was not advocating monetary base control but he was pointing out the dangers of using the £M3 aggregate as either a target or an indicator of monetary policy and he was also clearly saying that monetary policy in the early Thatcher years was far too tight. In the event, monetary base control was not adopted, but monetary policy was relaxed somewhat following the Niehans intervention and as a result of the deep recession that hit the UK. However, financial innovation, regulatory changes and the spread of Goodhart's Law[20] meant that faith in monetary aggregates of any kind as the main guide to monetary policy gradually diminished.

The 1980s started with the debates about Thatcher policies and "monetarism" as discussed above and the effects of the early 1980s recession. There was a steady growth of disillusionment with monetary targets and official policy switched to an informal exchange rate target followed by membership of the ERM. Substantial institutional and regulatory changes were linked with major financial innovations from the early 1980s onwards (starting with the end of the Corset and the abolition of exchange controls) and associated with the Big Bang and the Financial Services Act etc.

In 1984, the MSG restarted regular publication of a selection of papers presented at the annual conference, including some of the papers presented at the LSE seminars. It is notable from these publications that there was a growing interest in finance, financial innovation and regulation, in addition to the traditional concern of money and monetary policy. This annual series of conference volumes only lasted until the end of the 1980s. From 1990 onwards, a selection of papers from the annual conference was published every year in a special issue of *Manchester School*. This connection was set up by Mike Artis who was editor of *Manchester School* at the time and a former Chair of the MSG. This relationship with *Manchester School* has continued to the present time (see Appendix C).

[20] See Chrystal and Mizen (2003). This was widely interpreted as saying that monetary aggregates had no stable relationship with the ultimate targets (inflation, unemployment, growth etc) however what it originally said was that if the authorities use direct controls to manage a specific aggregate that previously had useful indicator properties, then that relationship will change as financial markets will find ways around the controls.

MSG to MMF

The gradual switch in emphasis became overt in 1990 when it was decided to change the name of MSG to the Money, Macro and Finance Research Group (MMF). Despite this switch of interests, when the group decided to publish a 20th anniversary collection of commissioned readings in the field (Green and Llewellyn, 1991 see Appendix B) the outcome was a 400 page volume on Monetary Theory and Policy and a 300 page volume on Financial Markets and Institutions. Even Taylor (1991) which contained a selection of papers presented at MSG in 1989/90 included six papers on money demand studies in addition to nine with a financial market orientation.

Another change made at about the same time as the name change was the decision to change the format of the annual conference. This decision was not uncontroversial, as the Oxford conferences had done an excellent job in creating networks within the Group and providing a congenial location for its annual get together. Despite this positive contribution of the Oxford conferences and the substantial contribution of its organizer, Tony Courakis, the feeling was that the academic world was moving on and the MSG needed to move with it. The introduction of the RAE in the 1980s had put pressure on academics to produce more measurable outputs and the changing financial and policy environment had produced other growing areas of interest. A new business model for the annual conference was thought (by most of the MSG committee) to be needed. The 1989 conference was the last under the old format. After this the conference was to move around the country (and a couple of times even abroad) with every third year (or so) in London (with venues including LSE, Imperial, Cass, LBS, Birkbeck, Queen Mary, Kings, and South Bank) and the conference organizer would also change each year depending on the host institution. This clearly made the conference more democratic (in a sense) but it also changed the nature of the event. Most delegates now needed to present a paper in order to get funding from their home institutions and to accommodate this the conference had to be split up into many parallel sessions, so some of its intimacy and coherence was lost. The main gain has been a far wider reach across the whole of the United Kingdom, and much more engagement with PhD students and early career researchers. The main plenary sessions were also refocused on external keynote speakers, and like other conferences the MMF provided a forum for distinguished academics to share their findings with a UK audience. The main plenary sessions were then focused on external keynote speakers. These included Nobel Laureates in economics: Joseph Stiglitz (2001), Robert Engle (2003), and Finn Kydland (2004), Paul Krugman (2008), Robert Shiller (2013), and a very distinguished list of top economists from around the world including: Stan Fischer, Michael Woodford, Frederic Mishkin, Stephen Ross, John Taylor, Peter Kenen, Kenneth Singleton, Martin Hellwig, Marco Pagano, William Brock, V.V.Chari, and Robert King (among others). (See Appendix E for some recent conference programmes or summaries.)

The MSG's ESRC grant was originally intended to help pay for academics to attend events and ESCR support continued for most of the life of the group (see Appendix H for some ESRC grant reports).

However, the annual conference eventually became one of the main sources of funding for other Group events (in addition to ESRC and Bank of England support) as successive conferences charged fees to participants and regularly ran at a profit. Any subsidies that were provided by the Group tended to go to help involve PhD students or young academics without financial support and to fund other events.

At some point in the late 1980s or early 1990s, the regular LSE seminars were also phased out and replaced by a more franchised approach to term-time meetings during successive chairmen David Currie and Keith Cutherbertson. By the time Mark Taylor and Mike Wickens took over as chairmen, instead of running its own stand-alone seminars at the LSE, the MMF was participating in many joint ventures with other research centres and academic departments. The role of the MMF as a network organization that co-funded activities that would not otherwise happen had begun, and continues today. This transition presumably happened gradually but we do not have detailed programmes until the 2002-2014 period. By this period, the MMF activities other than the annual conferences were almost entirely joint ventures around the country, co-ordinated in more recent years by a call for seminar proposals. The events were co-organized by the MMF and others, and duly advertised by the MMF to its membership. An example of this is the MMF participation in the annual Max Fry Memorial Lecture at Birmingham University, initiated in 2000 following the untimely death of Max (an active MMF member for many years), and led by Jane Binner. The first speaker in this event was DeAnne Julius. She was followed in subsequent years by Mervyn King, Ronald McKinnon, Andrew Crockett, and Charles Goodhart. Speakers in later years have included Ross Levine, John Williamson, Charles Calomiris and Andrew Haldane.

There were many outstanding annual conferences but one that is particularly worthy of mention is that held in Limassol, Cyprus in September 2010. It was held at the newly formed Cyprus University of Technology and was organized by Panicos Demetriades (a long-serving treasurer of MMF) who a year and half later was to become the Governor of the Central Bank of Cyprus (and co-organised by Andreas Savvides). All delegates remember the congenial seaside location of the main conference hotel, but they also recall the serious academic discussions of the crisis in macroeconomics that followed the 2008 financial crisis and the resulting recession. The conference had several presentations relevant to this theme, but the issues were brought together in a panel session on the future of macroeconomics chaired by John Driffill. The panelists were Hashem Pesaran, Guido Ascari, Marcus Miller, and Richard Werner. A central focus of the discussion was the limited applicability of the fashionable DSGE models, with their representative agent assumption and lack of plausible financial structure, to understanding the recent crisis. Plausible models could be built but they were thought unlikely to be just marginal improvements on the DSGE approach.

"The afternoon of the final day of the conference featured
a special session on monetary policy organized and

chaired by Athanasios Orphanides. The speakers included Jose Manuel Gonzales-Paramo, member of the executive board of the ECB, Seppo Honkapohja of the Bank of Finland and Jan Qviqstad of the Bank of Norway. The speakers outlined their views of the lessons learnt from the crisis for monetary policy. While all three speakers provided fascinating insights into current thinking among central bankers, academics in the audience detected that central bankers are so comfortable with the status quo that they are unlikely to be at the forefront of any new thinking on the future of macroeconomics. Gonzalez-Paramo, among other things argued that central bankers 'saved the world' in 2008 — where did we hear this before? — and saw no need for changing the monetary policy's framework's focus on price stability." (Panicos Demetriades, MMF Conference Report, in *RES Newsletter #151*, October 2010.)

The conference speakers' topics in the years 2011-2018 reflected a broad range covering monetary and financial policy as well as theoretical contributions from the academic world. Like inflation targeting in the 1980s and 1990s, which later became an indispensable feature of monetary policy in the late 20th and early 21st century, many new ideas (addressing problems with long histories) were discussed by academics at the MMF.

An incidence of this is apparent in a keynote address by Charles Goodhart in 2016, which reminded the audience that Harry Johnson had established the Money Study Group because he disagreed with the findings of the Radcliffe Report that had been published in 1959. The Money Study Group was formed to press for a new investigation of monetary policy, and the Bank of England agreed to participate in the first meeting, sending Kit McMahon (then Advisor to the Governors, subsequently Deputy Governor) to deliver a paper. Forty eight years later, Charles took up the topic of 'The determination of the money supply: flexibility vs control' to return to the subject of monetary policy.

Drawing on his knowledge of, and immediate involvement in, recent monetary history Charles discussed the relationship between monetary policy and the money supply. He noted that despite a fourfold increase in the size of central bank balance sheets, and vast excess reserves, the money supply has hardly changed at all. His lecture explored four theories of the money supply based on the idea that deposits create loans, base money creates deposit money (money multiplier), credit counterparts drive the money supply and finally that loans create deposits. The flaws in all four approaches were explained with an impressive grasp of institutional detail and historical monetary developments. Lastly, to bring the discussion up to date, Charles challenged the prescription for policy in Mervyn King's book The End of Alchemy where the Bank of England would become the "pawnbroker for all seasons." The idea would allow any bank to borrow provided it pledged its assets as security in advance, but Charles suggested that much of banks' immediate lending is not in its own control, driven as it is in the short term by overdraft and credit card borrowing, and in the long term by the need for housing finance. In his view it would be wrong to penalise banks for these effects and the development of the Basel Committee net stable funding ratios would be a better idea.

Another example, in 2017 at Kings College London, Ricardo Reis asked 'what anchors inflation?'. This is not a new problem, since the issue has been noted in 1972 after sterling was allowed to float, but with current theories lacking, as a result of his two first points, he proposed a different theory based on asset purchases with risk and targets for the short and long term rates (a la BOJ). His theory was based on an independent central bank, operating like the BOJ which buys assets and has a remittance rule. The central bank could set targets on the yield curve, equal to the number of sources of uncertainty; and could take on risk in the form of asset purchases. Unconventional policies can then provide effective ways of anchoring expectations. This model offers a new approach to anchoring inflation not previously explored in existing models.

At the same conference, Anil Kashyap, speaking in his capacity as Professor at the University of Chicago, rather than as a member of the Bank of England's Financial Policy Committee, discussed the regulation of banks. His starting point was to ask what do banks do? If they provide liquidity insurance, facilitate credit, and facilitate risk sharing do they supply the correct amounts of those services? He assumed that banks make risky loans funded by deposits and equity, that the loans have uncertain liquidation values and depositors get signals and make decisions about whether to run based on the liquidation values. Runs then depends on fundamentals e.g. the bank's lending and funding choices. He then set out how a regulator should mitigate these incentives facing the banks, suggesting that they consider the pros and cons of using the four Basel regulatory ratios comprising the risk-weighted capital ratio (CR), the leverage ratio (LevR), the liquidity coverage ratio (LCR), and the net stable funding ratio (NSFR).

The Annual Conference has been an opportunity to discuss key controversies of the day, as illustrated by the Edinburgh conference in 2018, which had contributions on integration, disintegration, Scottish Independence and Brexit, with contributions offered by Ronald MacDonald, Robert Zymek and Fabian Zuleeg. They have also focused on technical issues, which reflect the changing economic and financial structure of the economy. Also, at Edinburgh special sessions were organized by the Bank of England on nowcasting and forecasting, the National Institute (NIESR) on international transmission of shocks, and David Cobham on Islamic finance.

Anniversary Conference

In 2019, to mark the 50th anniversary of the MSG/MMF a special Anniversary Conference was organized at the LSE. Over the course of three days there were presentations on all aspects of monetary policy and financial policy, reflecting the changes that had happened in academia and central banks. Amid about 130 papers being presented it is difficult to select the highlights, but the keynotes and a special history session deserve mention among such high-quality papers. The first keynote by Philip Lane, ECB Chief Economist, focused appropriately enough on the Phillips Curve. Philip provided a review of the ECB's policy actions since 2013, discussing the effects of unconventional policies such as forward guidance, asset purchase programmes, targeted liquidity programmes and negative interest rate policies. He concluded that these schemes had all proven their effectiveness by bringing about a decline in unemployment and an increase inflation, which had previously been well below target. The Phillips Curve is a much-used relationship in structural models, used for analysis of policy scenarios, and reduced form models, which quantify the effects of slack on price and wage inflation. Despite flattening in recent years, the Phillips Curve is alive and well, and still critically important to understand trade-offs in policymaking decisions.

The second keynote of the day – the Charles Goodhart Lecture - was given by Don Kohn from the Brookings Institution, who is a current member of the Bank of England Financial Policy Committee (FPC). His focus was on stress tests as an instrument of financial policy. By requiring banks to meet minimum criteria to continue on business even under stress conditions, the FPC ensures that our banking system is robust. Don showed that stress tests countered the tendency for banks' risk calculations fail to keep up with rising risks in good times and to draw heavily on capital in bad times, improved risk management (capital planning) and influenced the availability and cost of credit. While the FPC doesn't have the same historical academic support from models and policy rules as monetary policy does (and here lies a challenge to academics to provide this support), it has made our financial system stronger since the 2008 crisis. It anticipates the effects of large shocks such as Brexit and trade wars that could shock the financial system, but it has still to face it's biggest challenge - a full real economy recession - before we can conclude stress tests and counter cyclical capital buffers fully protect the financial system from shocks in bad times as well as good.

Mark Gertler from NYU took up a macroeconomic theme, also connected with events since the financial crisis. His objective was to explain the channels of financial distress in the Great Recession. He identified two channels: the household balance sheet shock as borrowers entered negative equity and faced rising debt-to-income ratios; and bank distress compounded by rising credit spreads and high leverage, which led them to pull back on lending. Both channels were linked through the mortgage market. Using a new set of techniques, Mark showed that time series dimensions of the crisis allow identification of shocks to the financial system and house prices through timing restrictions, and these explain a lot of the dynamics of the Great Recession. While cross sectional differences in house prices identify the regional variations that reinforce the dynamics at the local level. Taken together they provide a powerful explanation of the effects of the crisis leading to the Great Recession.

Alan Blinder of Princeton University asked what has changed for policy makers in 50 years, comparing the viewpoint of the chairman of the US Federal Reserve in 1969 with the views of Jerome Powell today. He showed that goals of policy have changed from Friedman money growth rules to inflation targets, but they are more similar than different, and academics have taken a significant role in shaping the development of central bank goals. Similarly, the instruments have changed a great deal as operations using the short-term interest rate have given way to unconventional policies in recent years. Again, academics have had a huge influence on the debate. On modelling approaches to the economy, there has been a divergence of paths taken, as academics abandoned the structural models of the late 1960s and 1970s in the light of the Lucas critique, while central banks continued to use these models for policy purposes. In communication policy, central banks have evolved from not seeking to explain policy to using communication to influence the expectations of inflation, especially in the light of academic research since the mid-1990s. It is probably fair to say that there is a symbiotic relationship between academics and central bankers that has been reflected in the MMF over the last 50 years.

Monika Piazzesi from Stanford sought to explain a New Keynesian (NK) model with a new twist that reflects some of the lessons we have learned since the financial crisis. The absence of a financial sector in these models prior to the crisis led some central bankers to say they were abandoned by the models at their time of need. Monika's model introduces banking and current central bank operating systems such as the corridor system or the floor system to ensure these models more accurately reflect the interaction between the policy and the financial sector and especially the disconnect between policy rates and lending rates. Far from money being irrelevant (as it was in the NK models) it now takes centre stage. The connections between policy makers and the economy now operate through a linkage that reflects interest rate pass through by the banking system, and short-term interest rates on loans/deposits combine the influence of policy rates and a convenience yield. Central banks have a lever on short rates through their actions that affect the convenience yield as well as the policy rate.

The final keynote – the Harry Johnson Lecture - was given by Maurice Obstfeld from UC Berkeley. He provided a masterful review of the case for flexible exchanges rates starting with Harry Johnson's perspective and working through ten different perspectives proposed by many distinguished international economists in the fifty years since 1969. While Harry Johnson was correct in many respects about the importance of flexible exchange rates, conditions have evolved in ways that he could hardly have imagined. The changes reflect the degree of wage rigidity, pricing to market, the global financial cycle, and changes to conditions in international trade among many others. Maury was able to show that the flexible exchange rate, while not a panacea, gives an extra degree of freedom in international economics, and on this point Harry Johnson was right.

We were given a fascinating tour of the 50 years of the Money Study Group and the MMF by Alec Chrystal and Forrest Capie, with reminiscences by Michael Parkin, Marcus Miller and Charles Goodhart all of whom were present at the start. This archive was the starting point for this summary of the history of the MMF and the associated appendix of historical documents.

The year 2019 marked the 50th Anniversary, and the handover of the Presidency of the MMF from Charles Goodhart to Sir Dave Ramsden, and it was appropriate to thank Charles and Dave for their inputs (past, present and future). It also marks the start of a new chapter of the MMF as a Society about which more will be said later.

Monetary and Financial Policy Conferences

By the 2000s, and perhaps earlier, the papers presented at most MMF events had become rather technical in the sense that they involved advanced econometrics and/or formal mathematical modeling. This did not eliminate participation in MMF conferences by economists from policy (and private sector) institutions but it did mean that the attendees were mainly research economists with an advanced training in the latest methods. There were occasional keynote addresses from policy makers, but the main discourse of the annual conferences was mostly of interest to the research active. The financial crisis of 2007/8 and the resulting crisis in macroeconomic theory created a feeling that the MMF should return to its roots (at least partially) and provide a forum for the constructive interaction of academics, policy makers and practitioners. Accordingly, the then chair of MMF, Jagjit Chadha, set up a collaboration with Bloomberg who agreed to host an annual one-day Monetary and Financial Policy Conference in the Bloomberg London Head Office each autumn.

This was an example of a successful joint venture is the innovation of an annual policy conference co-sponsored with Bloomberg and held initially at the Bloomberg head office in London. These policy conferences have been held each autumn since 2015 (see Appendix F for more details). The policy conference has attracted speakers with policy experience such as former and current central bank governors such as Patrick Honohan and Lars Rohde and MPC members, including, Dame Kate Barker, Willem Buiter, David Miles, Sir Paul Tucker, Sir John Vickers and Sushil Wadhwani and many others.

The first of these policy conferences was held in September 2015 and its focus was on monetary policy. Speakers included two former Deputy Governors of the Bank of England, Charlie Bean and Paul Tucker and five other former MPC members: Charles Goodhart, Willem Buiter, Kate Barker, David Miles and Sushil Wadhwani. Also on the programme were current officials Gareth Ramsey (BoE), Shamik Dhar (FCO) and Dave Ramsden (HMT). Hugh Pill (Goldman Sachs) and George

Buckley (Deutsche Bank) represented City institutions, while academic speakers included Charles Nolan, Douglas Gale, Nick Bloom and John Muellbauer.

By the time the second policy conference was held in October 2016 the chairmanship of the MMF had passed to Paul Mizen, who took up the theme of interest rate pass through in the period after the great financial crisis. This discussion fitted in a conference focused on bank regulation and financial stability policy. One highlight of this conference was a talk by John Vickers in which he criticized the response of bank regulators to the financial crisis and implicitly to the Vickers Report[21]. His central concern was that capital requirements for banks in the emerging Basel 3 regime were going to be inadequate to avoid a future crisis like the one recently experienced. John Kay agreed with Vickers, but Claudio Borio (BIS) in a later session was more sanguine about prospects for maintaining financial stability under the new regulatory regime.

Unconventional monetary policies (QE) and the implications for central bank balance sheets were the subjects of the third and fourth policy conferences. Both conferences had an international perspective with Danmarks Nationalbank Governor Lars Rohde and ECB's chief economist Peter Praet speaking in 2017, while the 2018 conference had sessions on the US, EU, Japanese and global perspectives. Governor Rohde shared the experience in Denmark of holding interest rates negative for a substantial period, with its impact on the banking system, corporate depositors and household borrowers and depositors.

All these conferences so far have been a great success and have achieved the goal of bringing together a mix of academics, policy makers and practitioners (mainly from the city but also economic journalists). Indeed, many of the conference participants have themselves moved between two of these groups in recent years, and a few between all three!

PhD Conferences

From 2014 onwards the MMF has also co-sponsored a PhD student conference at a different university each year where research students present papers and receive constructive comments from a panel of established academics and Bank of England officials. This conference like the annual conference has moved from place to place and has been organized by a succession of local academics. The first of these took place at Warwick University in April 2014, and the subsequent meetings were held around Easter each year at York, Birmingham, Portsmouth, Kent and City Universities (see Appendix G). The 2020 PhD conference was due to take place in Durham, but it was postponed for a year due to Covid, and a replacement was organized online at short notice. The Bank of England has supported this conference over many years, and this has helped to promote a forum for prospective job market candidates for the academic, professional and policy

[21] *Independent Commission on Banking: Final Report and recommendations*, September 2011.

making communities.

At the 2020 conference we marked the passing of Peter Sinclair in March 2020 with a newly established Peter Sinclair prize for the best papers in the conference. Peter had attended every conference, read all the papers and offered encouraging comments at every opportunity, and was the first to support PhD students in their research. The MMF felt it was entirely appropriate that we should remember him by naming this prize after him.

The Money, Macro and Finance Society

The MSG/MMF has not only survived for 50 years but thrived as the main forum for monetary and financial economics in the UK. It has done so despite being an informal association of academics with its funding managed by a university associated with one of the key officers of the group. In 2018 it was decided the group needed to become a legal entity and be able to manage its own bank accounts etc. Accordingly, the MMF committee members led by chairman Paul Mizen applied to the Charity Commission in 2019 to take on charitable status. In 2019 the MMF changed its name again to the "Money, Macro and Finance Society" as it became a separate legal entity in the form of a registered charity[22]. Academic activity will continue much as before but there will be more formal reporting requirements for the management committee, and this will be overseen by a board of trustees. This will hopefully secure the legacy of the MMF for the next 50 years.

Conclusion

At more than fifty years of age the MSG/MMF is passing from middle to old age, yet it is as vibrant and active as it has ever been. It started as a forum for debates on monetary policy that brought together academics, policy makers and practitioners. The MSG must surely be judged a success in its early years in helping to direct attention to the importance of monetary policy, especially in controlling inflation. It helped that the Group had a global perspective and attracted many eminent international economists to its seminars and conferences. For a while it became more academic but broadened its range to include all of macroeconomics and finance as well as monetary economics. Formal research in these three areas was its main interest and while this focus continues the policy conferences of recent years (and cooperation with other institutions) has rebuilt the group's role as a platform for policy debates of a contemporary nature. The very successful PhD workshops have enhanced its role in encouraging the next generation of researchers. The next fifty years should be just as productive as the last.

[22] The Charity Commission records the registration date of the MMF Society as 6th November 2019.

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