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REVIEW OF FOREIGN DEVELOPMENTS

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THE END OF CHEAP MONEY IN BRITAIN

Samuel I. Katz

The Chancellor's decision to rely in substantial measure upon traditional monetary techniques was the outstanding feature of the 1952-53 budget speech on March 11. This reliance upon monetary measures is in marked contrast to previous post-war disinflation programs which have depended upon large Treasury surpluses reinforced by physical controls over building and materials, direct control over investment, and voluntary restraint in lending by commercial banks. With the new Butler program, the era of cheap money, which commenced in Britain in 1932, has been brought to an end.

Rise in money rates

The key step taken in the monetary field, the rise in the Bank of England's discount rate (for commercial bills) from 2-1/2 to 4 per cent, was the signal for a general rise in short-term rates in the London money market. The effective Bank rate, the rate at which the Bank lends for seven days against Treasury bills, was raised from 2 to 3-1/2 per cent. As a result, the 90-day Treasury bill tender on March 14, just after the budget speech, resulted in a 2-5/16 per cent rate compared with the 1-1/32 per cent rate for the March 7 tender, and by March 28, the rate was a shade under 2-3/8 per cent, the highest Treasury bill rate in more than 20 years.

The changes in short-term rates during March, shown in Table I, mark the first major movement in the entire London short-term rate structure since late 1945 when Dalton commenced his "cheaper" money drive with the announcement that the interest rate on (six-month) Treasury Deposit Receipts was to be reduced from 1-1/8 to 5/8 per cent effective October 22, 1945. The changes between October 17 and October 24 (1945) reflect the impact of this step on other short-term money rates. Thereafter, the rate structure showed little change except for slight rises in commercial bill rates during 1951 and a general, but limited, upward movement last November.

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Table I

Selected rates in London money
market for weeks indicated
(in per cent per annum)

Short-term rates:	1945 Oct. 17	1945 Oct. 24	1951 June 30	1951 Nov. 1	1951 Nov. 15	1952 Mar. 5	1952 Mar. 12
Bank rate -							
Treasury bills	2	2	2	2	2	2	3-1/2
Commercial bills	2	2	2	2	2-1/2	2-1/2	4
Treasury bill tender	1	1/2	17/32	17/32	7/8	1-1/32	2-5/16
3-month bank acceptances	1-1/32	17/32	11/16	1	1-1/2	1-1/2	3
Day-to-day money	1 to 1-1/4	1/2 to 3/4	1/2 to 3/4	1/2 to 3/4	3/4 to 1-1/4	3/4 to 1-1/4	2 to 2-1/2
Longest term yield:							
2 1/2 per cent Consols	2.80	2.78	3.88	3.87	3.95	4.15	4.27

An upward movement in rates on commercial bank loans, more rapid and more general than the gradual changes put in effect last November, has resulted from the 4-per cent Bank rate. 1/ Loan agreements with British commercial banks usually provide for interest at some per cent above Bank rate, often with some minimum rate regardless of Bank rate, varying with the class of borrower. Under such arrangements, it is common for interest charges to move automatically with a rise in Bank rate. Commercial bank lending charges by category of borrower are

1/ In a letter in the London Times for November 30, 1951, the Committee of London Clearing Bankers warned the public that "requests for advances will be more and more critically examined and that bank borrowing will tend to become more expensive."

summarized in Table II below. The 4-per cent Bank rate will have a greater impact upon the top-grade firms in Category II than upon Categories III and IV where recent charges had been based upon the conventional minimum rate, far above the level which would have prevailed had the rate been related only to Bank rate. Thus far, yields on the longest term (perpetual) government bonds have risen from around 4-1/8 to just a shade above 4-1/4 per cent.

Table II

United Kingdom: Commercial bank lending charges by category of borrower

Category of borrower	Per cent above Bank rate	Minimum rate	Range before March 11	Expected range after March 11
I. Special group a/	None	None	---	Negotiation
II. Top-grade industrial and commercial firms	1/2 to 1	None	3 to 3 1/2	4 1/2 to 5
III. Smaller business firms	1	4 1/2	4 1/2	4 1/2 to 5
IV. Personal borrowers	1	5	5	5 1/2 to 6

a/ Nationalized industries and similar institutions.
Source: Financial Times, March 14, 1952, p. 1.

Budget and balance of payments

Emphasis upon monetary technique, however, has not meant a lax budgetary policy. Rather, the Butler budget for 1952-53 marks an attempt to return to the former practice (abandoned by his predecessor in the 1951-52 budget) under which the Treasury's current tax revenue was virtually sufficient to finance the government's capital investment expenditures as well as spending on current account, as shown in millions of pounds below:

	1949-50	1950-51	1951 - 52 (Estimated)	1951 - 52 (Realized)	1952-53 (Estimated)
Current account surplus	+ 549	+ 720	+ 39	+ 379	+ 510
Current plus capital account surplus	+ 62	+ 247	- 457	- 150	- 80

Within the budget total, income tax relief on the lower end of the scale was granted; on the other side, a corporate excess profit tax was introduced and food subsidies were reduced from £410 million to £250 million, or by 40 per cent.

The change in monetary technique and the harder budget policy were presented by the Chancellor as measures to achieve certain economic objectives for the coming fiscal year. The immediate goal of British economic policy, the elimination of the United Kingdom's deficit with the non-sterling world in the second half of 1952, will require an improvement over 1951-52 in Britain's overall balance on current account of £600 million (excluding defense aid from the United States). 1/ The major components of this improvement are expected to arise from:

Additional invisibles earnings	£ 100 million
Improved terms of trade	150 "
Reduction in volume of imports	300 "
Net increase in exports	50 "

While about half the cut in imports is expected to be absorbed by a reduction in the level of existing inventories, the expansion of exports will be made possible largely through increased availabilities of metal products as the consequence of curtailed private investment and a slowing down in the rate of expansion of defense delivery schedules.

Monetary restriction and investment

The importance within his program of "a marked reduction in civil investment, particularly in plant and machinery, and in stocks" as crucial balancing items in Britain's national accounts for 1952-53 led the Chancellor to bring monetary techniques to the forefront. For Butler maintained that:

> The late Government tried more than once by physical controls and fiscal measures to check home investment; but they always failed in the face of the overwhelming monetary demand. 2/

It is intended that the sharp rise in Bank rate would have an impact upon the cost and availability of commercial credit sufficient to reduce investment pressures on the capital goods capacity and to cut back commercial stocks. The changes in short-term rates should have a less direct and less immediate impact upon capital expenditures than upon inventory practices. With the higher short-term money rates, businessmen are likely to become less willing to hold inventories

1/ Hansard, March 11, 1952, column 1281.
2/ Hansard, March 11, 1952, column 1283.

carried on bank credit, particularly at a time when price expectations are no longer bullish; in consequence, a shake-out in inventories and, perhaps more important, in hoarded labor is expected. However, British businessmen will recognize that the renewed effectiveness of traditional monetary tools must mean a major change in the climate in which their investment decisions are to be made.

Traditionally, the monetary authorities in Britain have relied upon two ratios, accepted by custom and by voluntary agreement, to control credit creation by the commercial banks: (1) a cash reserve-to-deposit liability ratio of 8 per cent on a daily basis and (2) a quick-asset ratio of 30 per cent of total deposits. 1/ The 8-per cent cash reserve ratio enabled the authorities to control the total volume of commercial bank credit. British banks never had any substantial excess cash reserves. Within the total of bank credit outstanding, liquidity considerations, embodied in the quick-asset convention, restrained the banks from significantly increasing either their loans to business or their purchases of securities by sacrificing lower-yielding near-cash assets.

Both these conventions lost a great deal of their effectiveness in the postwar period. The determination that the Bank of England would support a Treasury bill rate fixed after 1945 at ½ per cent meant that the money market was always able to obtain cash on its own initiative and without penalty by selling Treasury bills to the Bank of England at cost. At the same time, the London clearing banks entered the post-war period with quick assets in excess of 55 per cent of deposits as a result of wartime accumulations of floating debt.

Despite the obsolescence of traditional monetary techniques, the volume of bank deposits was stabilized from early 1948 until the post-Korean inflation commenced in the summer of 1950. The Treasury's revenue surplus was crucial to the stabilization effort, since it was used to pay off Treasury bills, the commercial banks using the cash proceeds to expand commercial loans. Because of the Treasury's retirement of bills, the Bank of England was able to keep the bill rate pegged with open-market operations that did not result in any net addition to the commercial banks' cash reserves over this period. At the same time, the voluntary restraint in lending, with bank screening of loans in accordance with Treasury criteria, helped to keep the expansion in business loans within the limits of repayment of floating debt.

Restoration of the initiative to the monetary authorities and resurrection of the older techniques were accomplished by measures introduced last November. The peg on Treasury bills was dropped and

1/ For an authoritative discussion of the quick-asset and the advances-investment ratios as related to bank lending practice, see W.T.C. King, "Bank Liquidity and the Markets", The Banker, Jan. 1952, p. 12ff.

the rate rose to around 1 per cent; although the Bank of England continued to operate at the market rate, it was free to withhold accomodation except at a 2 per cent penalty rate, as it did on occasion. A complementary step, the conversion of about one-fifth of the Treasury bills outstanding into one-, two-, or three-year securities, significantly reduced the liquidity of the commercial banks. Thus, the uncertainty as to the rate at which cash could be obtained strengthened the Bank's control over the discount market. At the same time, the conversion operation acted as a brake upon the banks' former practice of freely switching from Treasury bills to commercial loans and, thereby, served to reinforce the voluntary restraint of bank lending.

The role assigned to monetary policy under the March 11 stabilization program appears to reflect second thoughts on the part of the British authorities. In his speech last November, the Chancellor stated that the monetary measures taken at that time represented "a clear change in emphasis" but hastened to express a belief that "in present circumstances monetary policy by itself will /not/ have decisive results." 1/ Since the prospective budget outturn for 1952-53 will be only slightly more disinflationary than the realized results for the 1951-52 fiscal year, however, it might be argued that responsibility for cutting back domestic private investment to a level commensurate with the reduced imports and for attaining balance in the external payments of the United Kingdom will fall in large measure upon monetary operations during the coming months.

1/ Hansard, November 7, 1951, columns 205 and 207.

April 15, 1952

MONETARY AND CREDIT POLICY ISSUES IN NORWAY

Paul Gekker

Norway appears to be practically the only remaining one of that group of Western European countries whose economic policies in the postwar period relied primarily on measures of direct control, and involved the maintenance of inflexible interest rates. This is particularly well brought out in a report recently issued by the Norwegian Monetary and Financial Council, concerning the financing of public credit institutions. 1/

The Monetary and Financial Council was established in 1946 as an advisory body to the Norwegian Prime Minister and the Cabinet on any questions that might be submitted to it. The Council has no fixed secretariat, and meets on an ad hoc basis. Its present members are:

Gunnar Jahn	-	Governor, Norges Bank, (Chairman)
Petter Jakob Bjerve	-	Chief, Central Statistical Bureau
Ragnar Frisch	-	Professor of Economics, Oslo
Knut Getz Wold	-	Director General, Ministry of Commerce
Erling Petersen	-	Professor, Handelshogskolen, Bergen
Klaus Sunnana	-	Director of Fisheries
Anders Frihagen	-	Chief, Banking Inspectorate

In the fall of 1951, the Council was asked to recommend means of providing certain official long-term mortgage institutions with funds to enable them to continue their lending activities. At the same time, the Council was asked for its opinion as to how this could be done without generating inflationary developments, while at the same time maintaining low interest rates. A final question required the Council to suggest means of continuing the present low interest rate policy, and to consider any legislation which would facilitate achievement of this objective.

Background and recent developments

Toward the end of 1950 a tightened liquidity situation in the private banks served to accentuate a shortage of funds in State lending institutions, whose financing needs are ordinarily met from the proceeds of the sale of their low interest, long-term bond issues to the private banks. 2/ The ability of the latter in turn to subscribe to these State Bank issues was limited as much by their own shortage of resources as by their reluctance to invest in 2-1/2 per cent securities whose market value had been declining throughout the previous few months. 3/

1/ For an account of an earlier phase of this problem, see this Review, April 24, 1951.
2/ See the Statistical Note at the end of this paper.
3/ The National Budget of Norway, 1952 (English translation), Oslo, January, 1952, pp. 99-101.

By transferring 400 million kroner from the State Regulation Account (the local currency counterpart of ECA loans) in Norges Bank to an account entitled "State Account for Loans to State Banks" in May 1951, a temporary solution was found permitting a continuation of lending activities of these Government institutions and the repayment of short-term advances from the private banks.

There is no indication that official Norwegian opinion has moved any closer to reconsideration of the low interest policy. Rather, effective pressure on this policy brought about by domestic and foreign developments has only served to encourage a more determined defense of the low interest rate. In October 1951, the Finance Ministry addressed a letter to the Monetary and Financial Council requesting it to examine "how interest rates can most expediently be brought back to the low level of last spring or, failing that, how a further increase can at least be prevented." 1/

In November and December 1951, both the Finance Minister (Trygve Bratelli) and the Minister of Commerce (Erik Brofoss) publicly stressed the determination of the Government to maintain the low interest rate policy. Just before release of the Council's present report the Finance Minister, in presenting his annual budget message, referred to the fact that the authorities had again come to the support of the State Banks at the end of 1951, indicating that the resources provided earlier had been completely exhausted. 2/ It is now learned that the Government has recommended, in accordance with the Council's Report, that 350 million kroner be transferred from the State Regulation Account to the State Banks, as was first done at this time last year. The sum is estimated as sufficient for only one-half year's operation of the State Banks.

1/ Økonomisk Utsyn over Aret 1951, Oslo, 1952, p. 69.
2/ The credit balance of 400 million kroner (State Account for Loans to State Banks) appearing on the Norges Bank balance sheet for May 31, 1951 was completely paid out by the end of the year. The account reappeared on the balance sheet for February 29, 1952, showing a small credit balance of 9 million kroner, established presumably by drawing on other State deposits in the central bank.
Out of a total of 383 million kroner (or 96 per cent of the original sum) released to the State Banks in the period May 31 to November 3, 1951, about 75 per cent went to the State Housing Bank and 15 per cent to the Municipalities Bank. (Økonomisk Utsyn over Aret 1951, Oslo, 1952, p. 67).

The opposition press criticized the Finance Minister's reference to "influential forces which wish to compel the adoption of an interest rate policy other than that which the Government has pursued with the Storting's approval." He was also generally criticized for publicly prejudging the issues then before the Monetary and Finance Council, whose report was released almost immediately following these incidents.

The Council Report

As the following account will indicate, majority opinion on the Council is unsympathetic to the use of traditional anti-inflationary credit policy. They proceed instead on the assumption that it is possible to continue to direct investments into certain "priority" uses, and at the same time to restrict the over-all volume of investment activity while maintaining the present low interest rate. The Council recommends a number of measures designed to achieve these objectives; several of these techniques are of some theoretical interest apart from their present context.

The views of Norges Bank Governor Gunnar Jahn are well known from his annual messages to the Supervisory Council of the central bank. In the present report he expresses his reservations to the majority opinion on several matters, and particularly on the role of interest rate policy. The following passage from Governor Jahn's dissent is of special interest:

"... what is most important ... is not the question of the absolute level of interest, but that the interest is not made so fixed that it does not move at all independently of the course of prices and the economic situation. The chairman is of the opinion that we should have sufficient control over the situation that the interest does not rise so much that the injurious effects predominate, but that we ought also not lose sight of the possibilities of using interest as a factor, if necessary."

In its present report, the Council has restricted its principal inquiries to the urgent problem of liquidity of State lending institutions, stating that the short time available had not permitted consideration of the broader questions addressed to it. The Report contains some discussion, however, of the problem of investment control and of the general interest rate problem. The question of the activity of the State Banks is examined from the standpoint of the immediate problem of providing these institutions with assets which will enable them to continue their activity, and also with respect to the longer-term measures which might be taken to provide for financing in the future.

1. Immediate financing - The Council took the position that a transfer operation similar to the one adopted in March 1951 would be the most practical solution to the problem of meeting the State Bank requirements. Under certain assumptions with regard to the development of bank liquidity in 1952 - based on present estimates of defense expenditures and private consumption - the Council thought it unlikely that this financing would have a net inflationary effect. Inasmuch as these transferred funds would in part be used for conversion of loans on houses already built, they would not, to that extent, mean an additional demand for goods and services. On the other hand, the resulting increase in bank liquidity could provide the basis for an expansion of lending. In this event, any undesirable increase in the loan potential should be neutralized by higher reserve requirements, for which legislation should be provided.

In addition, the Council mentioned the desirability of financing part of the capital requirements of the State Banks directly by budget appropriation, noting that this would be a logical procedure in view of the significant reduction of private savings which has been brought about by the postwar tax system. It was also suggested that a portion of funds now invested in Government securities - such as unemployment insurance and various pension funds - might be used to finance lending activities of the State Banks. Finally, the Council recommended that the municipalities might likewise contribute by providing resources to the State lending institutions.

2. Long-term financing - While direct financing methods will satisfy immediate needs, some part of continuous financing requirements in the future must be met from bond sales. This requires some changes in the terms upon which such issues are offered. The Council considered several possible modifications of present practices, among which the following appear of most interest.

(a) The State Banks could operate to a greater extent on the basis of short-term borrowing, without it being necessary to reduce the long-term nature of their loans. The State Banks could be empowered to accept short-term loans from commercial and savings banks, insurance companies, and possibly from other State institutions. It might also be convenient for the State to raise funds by Treasury bills and convert the assets into longer-term loans to the State Banks.

(b) Bond issues could provide for conversion rights, permitting investors to pay in part for any new subscriptions carrying a higher nominal interest rate by conversion-privileged bonds at face value. It is significant that the Council took no position on this proposal, perhaps an indication that even the implication that the interest rate could be raised was distasteful to the majority.

(c) The Council received a proposal to change tax regulations so as to permit firms to write down their bond holdings on the same basis as depreciation allowances on capital equipment. Extending the depreciation rules to bond holdings would have the effect of reducing taxes and would make the purchase of bonds more attractive as compared to investment in plant andequipment. In fact, this is a proposal to increase the financial advantages deriving from holding bonds, and actually is tantamount to raising the interest rate for certain holders without formally violating the official policy.

(d) Another proposal submitted to the Council is that the State issue purchasing-power bonds. The right to hold such bonds would be limited "according to social criteris," - presumably restricted to small savers in some fasion. In addition, it was suggested that life insurance companies might be permitted to hold such bonds if their insurance policies also accorded the policyholder a cost-of-living adjustment.

(e) The Council recommended, in addition to any measures taken to improve financing of State Bank activities, that definite annual budgets be established for each of these lending institutions. 1/

3. Restrictions on investment - The Council also considered means of restricting the total volume of investments and the majority concluded that "there exist rational and perfectly serviceable means of providing the state banks with adequate financial assets and of maintaining a low rate of interest without this necessarily leading to an undesirable increase of investments and inflation."

Among the measures considered by the Council, a distinction is made between those designed to "weaken the banks' motives for giving further loans and ... [those designed to restrain] the firms' ability or desire to invest." The principal recommendation aimed at strengthening control over the availability of credit is that legislation revising the present purely nominal commercial bank cash reserve requirements be adopted as soon as possible. On the other hand, a majority of the Council found no grounds for recommending adoption of a security reserve feature as well, a position which appears inconsistent with the aim of preventing a more restrictive credit policy from leading to a rise in interest rates. It may be that the Council felt that other measures (noted below) would be sufficiently effective in restraining the demand for investment and hence the tendency for the rate of interest to rise in response to a quantitative restriction of credit. In any case, two members of the group expressed the opinion that if measures designed to limit investment demand were insufficient, it might prove necessary to require banks to hold some portion of their reserves in Government securities.

1/ This proposal has already been adopted by the Government. See The National Budget of Norway, 1952 (English translation), Oslo, January, 1952, pp. 77, 101.

The proposals designed to restrict investment activity from the demand side can all be grouped under fiscal measures. Two suggestions are familiar: a tax on investments in productive equipment and the use of depreciation regulations, which can be liberalized or made more restrictive as the economic situation requires.

A final suggestion by two members of the Council, Professors Frisch and Petersen, is of considerable interest. It consists of changing from the usual system of taxation of business earnings to taxation of business expenditures, e.g., taxes on expenses according to their purpose - investments, repairs, etc., - or according to their character - raw materials, wages, etc.

According to its proponents, the proposal would make it possible to reduce income taxation and would perform the function of improving the efficiency of business operation by rewarding efforts to reduce costs. However, a serious question is raised as to the extent to which the proposal implies penalization of firms with a large turnover and a small rate of profits.

Conclusion

As Norges Bank Governor Jahn has emphasized, the Report of the Monetary and Financial Council is not to be regarded as a complete answer to the general questions addressed to it by the Ministry of Finance. 1/ The Council was concerned primarily with an investigation of possible solutions to the financing problems of the State Banks and in connection with the associated aim of preventing inflationary developments, discussed measures to restrict investment and the general interest rate problem. Governor Jahn's comments on these questions deserve to be quoted:

"The real problem involved in all these questions is the following: Is it possible to pursue an expansive monetary policy in the present situation without incurring the risk of an inflationary development?

"The majority of the Council has answered this question in the affirmative, stating that 'measures can be adopted...to provide the State banks with sufficient funds, and to maintain a low level of interest...without inflationary effects,' and that a further development towards a higher rate of interest can be avoided 'if a system of taxation and other measures is adopted which - applied at the correct points and in the proper proportions - will reduce the desire to make investments, at the same time as reasonably easy credit conditions are created, if necessary by the intervention of the bank of issue. In this manner...the level of interest on loans will automatically, and without causing a dangerous inflation, become stabilized at a low level.'

1/ "Address...at the Meeting of the Supervisory Council of Norges Bank...," in Norges Bank Bulletin, Vol. XXIII, No. 1, p. 13.

"In this statement the majority of the Council expresses its view on a point of principle, based on its confidence in the possibility of influencing the acts of human beings so that they do what they are wanted to do, by means of a system of controls, or, in other words, by a system of economic and financial measures adopted by the State.

"In my opinion this cannot be done in a community where there is a free choice, or a partly free choice, to use capital and income according to desire and requirements: where there is freedom to choose one's place of work or profession, and where people are entitled to demand a raise in wages. In a fully controlled community I can imagine that it would be possible to accomplish what the majority has in mind. Incidentally, I would add that I have not come across any description of a system of taxation or other measures which would make it possible.... The individual measures which have been mentioned in the report do not constitute a system. As long as no thoroughly elaborated systems covering the various situations...have been submitted, and their effects in all directions have been analysed, it is impossible to take them up for examination in detail."1/

1/ loc. cit., pp. 13-14.

Statistical Note

There are seven Norwegian State banks, all of which were established by the Government for the purpose of granting long-term mortgage credit to rural and urban proprietors and to special branches of the economy, such as fishing. These banks, each serving in a special field, are conducted under the control of the Government; capital funds were as a rule supplied by the Government at the time of establishment, and by subsequent additional contributions from official funds. Some or all of the executive officers are appointed by Parliament. The State banks, listed in order of their establishment, are the following:

Kongeriket Norges Hypotekbank (The Mortgage Bank of the Kingdom of Norway), 1851.
Den Norske Arbeiderbruk og Boligbank (The Norwegian Workers' Holdings and Dwellings Bank), 1903.
Den Norske Stats Smaabruk og Boligbank (The Norwegian State Smallholdings and Dwellings Bank), 1915.
Den Norske Stats Fiskeribank (The Norwegian State Fisheries Bank), 1919.
Norges Kommunalbank (Norwegian Municipalities Bank), 1926.
Den Norske Industribank (The Norwegian Industrial Bank), 1936.
Den Norske Stats Husbank (The Norwegian State Housing Bank), 1946.

These institutions normally obtain funds for lending purposes by issuing bearer bonds, which are in most cases Government-guaranteed, and which provide investment opportunities for commercial and savings banks. The importance of the lending activities of the State banks is apparent from the fact that their loans constitute approximately 30 per cent of total loans and advances of the private commercial and savings banks.

The table below shows the activities of the Norwegian State banks for the period January 1947 through September 1951. It indicates clearly that lending activities were financed to a decreasing extent by the sale of State bank bonds and, correspondingly, to a greater extent by loans and credits from the Treasury, Norges Bank, and the private commercial and savings banks. See the reference given in footnote 3, page 1 of the text.

Norwegian State Banks, 1947-1951
(millions of kroner)

Year	Increase in Loans 1/	Increase in Liabilities			Net Change in Other Assets
		Bonds	Due to banks 2/	Capital Accounts	
1948	171	69	16	0	- 83
1949	425	303	5	27	+ 48
1950	417	196	127	23	- 51
1951 3/	274	2	233	2	+ 14
1947-1951	1,287	570	381	52	- 72

1/ Includes small amounts of committed but undisbursed loans at the end of each year. See Statistiske Meldinger, Vol. 70 (1952), No. 2, p. *32, fn.
2/ Due to Treasury, Norges Bank, commercial and savings banks.
3/ January to September.

Source: Statistiske Meddelelser, 1948, No. 6-7, p. 302; Statistiske Meldinger, Vol. 70 (1952), No. 2, p. *32.

Note: The balance sheets given in the sources quoted are incomplete and it is, therefore, impossible to reconcile the annual increase in loans with the difference between the net increase in liabilities and the net change in other assets. For 1948 and 1950, these latter items are approximately equivalent to the changes in loans, indicating that the net change in any omitted balance sheet items was small for those years. For 1949 and the first nine months of 1951, however, although the increases in loans are still greater than the net increases in liabilities, other assets also increased (column 2 in above table), thereby increasing the apparent discrepancy. For the end of 1947 only, the omission of some items marked "other assets" and "other liabilities" can be identified for State banks whose accounting period is the calendar year. (See Table 177, Statistisk Arbok 1949, pp. 206-207, and Table 3, Statistiske Meddelelser, 1948, No. 6-7, p. 302). The inclusion in the first source of banks whose accounting period is the fiscal year makes a complete reconciliation for the end of 1947 impossible. Data which would permit an attempt to reconcile discrepancies for subsequent periods shown in the table are likewise not available.

Thus, the discrepancy between the increase in loans (1287 million kroner) and the changes in all other reported balance sheet items (1003 million kroner) for the entire period amounts to 212 million kroner, which is the net of any omitted items.