



# HM TREASURY

1 Horse Guards Road London SW1A 2HQ

Information Rights Unit

Simon: of the Elder family

Tel: 0207 270 4558

Fax: 0207 270 4861

By email: request-10171-74683c97@whatdotheyknow.com

[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)  
[foi.responses@hm-treasury.gsi.gov.uk](mailto:foi.responses@hm-treasury.gsi.gov.uk)

Ref: 9/305

15 April 2009

Dear Simon

## Freedom of Information Act 2000: Money Creation

Thank you for your enquiry dated 4 April requesting information under the Freedom of Information Act 2000.

2. You asked for information covering –

- *the mechanism by which money comes into being*
- *how is money released into circulation*
- *what determines the amount of money that is created.*

3. The FOI Act provides for recorded information to be requested from public authorities. Theories of money and debt have developed over many years and our records do not cover these. The recorded information that Treasury holds relevant to your request relates to the issue of UK currency and the government's monetary policy. The information that follows is published and is therefore formally exempt under s.21 of the Act (information otherwise accessible). However, we understand that it is not always straightforward to locate information; to be helpful I have included relevant web links wherever appropriate below.

4. In terms of the first part of your request, the Bank of England authorises the issue of bank notes; the Royal Mint authorises the issue of coinage. Both exercise their authority under remit from HM Treasury and under statute. The statutory framework is set by the Currency Act 1983, available here –

[http://www.opsi.gov.uk/RevisedStatutes/Acts/ukpga/1983/cukpga\\_19830009\\_en\\_1](http://www.opsi.gov.uk/RevisedStatutes/Acts/ukpga/1983/cukpga_19830009_en_1)

5. In relation to the second part of your request, the Bank of England provides some detail on their arrangements at the following link, and they would be best placed to answer any more detailed points you might wish to raise.

[http://www.bankofengland.co.uk/banknotes/about/distribution\\_circulation.htm](http://www.bankofengland.co.uk/banknotes/about/distribution_circulation.htm)

6. In relation to the third part of your request, currency is issued in response to demand; if demand exceeded availability, users would be constrained to make



greater use of cheques and electronic transfers. Coinage typically accounts for less than 10% by value of currency in circulation. Statistics on banknotes in circulation are available here –

<http://www.bankofengland.co.uk/banknotes/about/stats.htm#1>

7. Further to the last point, it may be helpful to highlight that the current government relies on controlling inflation, rather than merely controlling notes and coin in circulation, to achieve monetary policy goals. The Bank's Monetary Policy Committee is responsible for setting Central Bank interest rates in order to achieve the inflation target, and for open reporting to the Chancellor where there is significant divergence from target. In exceptional circumstances, such as the present, the Bank needs the Chancellor's authorisation for extraordinary measures such as quantitative easing. Monetary policy key documents are available on Treasury website at the following link -

[http://www.hm-treasury.gov.uk/ukecon\\_mon\\_index.htm](http://www.hm-treasury.gov.uk/ukecon_mon_index.htm)

8. A wealth of material is available on the Bank of England's website covering their responsibilities in this area –

<http://www.bankofengland.co.uk/publications/other/monetary.htm>

9. I hope this is helpful. If you have any queries about this letter, please contact me. It will be helpful to us if you remember to quote the reference number above in any future communications.



**Paul Morran**  
**Information Rights Unit**

**Your right to complain under the Freedom of Information Act 2000**

If you are not happy with this reply, you may request a review by writing to HM Treasury, Information Rights Unit, 2/S2, 1 Horse Guards Road, London SW1A 2HQ. Email [foi.responses@hm-treasury.gov.uk](mailto:foi.responses@hm-treasury.gov.uk)

Any review request must be made within 2 months of the date of this letter. It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.

If you are not content with the outcome your complaint, you may apply directly to the Information Commissioner for a decision. Generally, the ICO cannot make a decision unless you have exhausted the complaints procedure provided by the Treasury. The Information Commissioner can be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF.