



HM TREASURY

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19 August 2010

J Hoontrakul

Information Rights Unit

Via email to: request-40086-
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www.hmtreasury.gov.uk
FOI.responses@hmtreasury.gsi.gov.uk

Ref: IRU 10/685

Freedom of Information Act request: Money creation

Thank you for your enquiry dated 21 July. You have suggested in relation to the fractional reserve system that under this system perpetual debt and economic booms and crashes are built-in to the system and asked whether the Treasury holds any papers or minutes of meetings that mention this fact.

The Treasury holds records going back over 30 years and we estimate that the cost of complying with your request would exceed the statutory limit of £600, or three and a half working days, in locating retrieving and extracting the information. Under section 12 of the Act departments are not obliged to comply with requests in such circumstances.

To be helpful I can tell you that we are not aware of information of the type you describe, however, the way risk is managed in a fractional reserve banking system is explained in detail in a seminal article which appeared in the Bank of England *Quarterly Bulletin Autumn 2004* entitled "Managing the central bank's balance sheet: where monetary policy meets financial stability." This can be downloaded from the Bank of England's website at <http://www.bankofengland.co.uk>.

In relation to your wider questions I would advise you that the independent Monetary Policy Committee of the Bank of England has operational responsibility for monetary policy. If you wish to make an FOI request to the Bank they can be contacted at enquiries@bankofengland.co.uk

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.

Yours sincerely,

Kate Jenkins
Information Rights Unit
HM Treasury



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@hmtreasury.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.

