House of Commons

Treasury Committee

The Monetary Policy Committee of the Bank of England: appointment hearing for Sir John Gieve

Third Report of Session 2005–06

Report, together with formal minutes, oral and written evidence

Ordered by The House of Commons to be printed 31 January 2006

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The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury and its associated public bodies.

Current membership

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Jim Cousins MP (*Labour, Newcastle upon Tyne Central*)
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Mr Michael Fallon MP (*Conservative, Sevenoaks*), (Chairman, Sub-Committee)
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Mr Mark Todd MP (*Labour, South Derbyshire*)
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Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk. The Committee has power to appoint a Sub-Committee, which has similar powers to the main Committee, except that it reports to the main Committee, which then reports to the House. All members of the Committee are members of the Sub-Committee, and its Chairman is Mr Michael Fallon.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) from Session 1997-98 onwards are available on the Internet at www.parliament.uk/parliamentary_committees/treasury_committee

A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Colin Lee (Clerk), Fiona McLean (Second Clerk and Clerk of the Sub-Committee), Dominic Lindley, Andrew Staines and Adam Wales (Committee Specialists), Lis McCracken (Committee Assistant), Mandy Sullivan (Secretary) and James Clarke (Senior Office Clerk)

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Summary

The Treasury Committee has established a practice of holding hearings with persons appointed to the Monetary Policy Committee (MPC) of the Bank of England and reporting on those hearings. This practice enhances the transparency of the appointment process and increases the level of information available to the public and to Parliament about the functioning of the MPC.

We have held a hearing with Sir John Gieve about his appointment to the MPC and as Deputy Governor of the Bank of England with responsibility for financial stability. We are satisfied that Sir John meets the criteria for appointment and wish him every success in his new roles.

1 Introduction

1. In our First Report of Session 2005–06, we indicated our intention to continue with the practice of our predecessors of holding hearings and issuing reports on appointments to the Monetary Policy Committee (MPC) of the Bank of England.[1] This practice enhances the transparency of the appointment process and increases the level of information available to the public and to Parliament about the functioning of the MPC.

2. We have resolved to restrict questioning to issues of the appointee's personal independence and professional competence. We have also decided to send a preliminary questionnaire to each appointee prior to the hearing requesting information about the appointee's career and views on relevant economic issues.[2]

3. In this report, we have considered the suitability of Sir John Gieve for the post of Deputy Governor for Financial Stability at the Bank of England and for his role as member of the MPC. We express full confidence in the work of the MPC, whilst noting that both Deputy Governors of the Bank of England were formerly civil servants. The appointment process for senior posts at the Bank of England and for positions on the MPC and the composition of the MPC are issues to which we will return at the appropriate time.

4. We took evidence from Sir John on 26 January 2006. This evidence, for which we are most grateful, is published with this Report, together with his answers to our questionnaire.

1 Treasury Committee, First Report of Session 2005–06, *The Monetary Policy Committee of the Bank of England: appointment hearings*, HC 525-I

2 Treasury Committee, Third Report of Session 1997–98, *Confirmation Hearings*, HC 571

2 Appointment of Sir John Gieve

Background to the appointment

5. The Bank of England announced on 17 October 2005 that Sir Andrew Large, Deputy Governor for Financial Stability, was to leave the Bank of England in January 2006. On the same day, the Treasury announced that Her Majesty the Queen was pleased to appoint, under the Bank of England Act 1998, Sir John Gieve to succeed Sir Andrew as Deputy Governor for Financial Stability—and, therefore, as a member of the MPC.[3]

6. Sir Andrew Large served as Deputy Governor and as a member of the MPC from 3 September 2002 to 16 January 2006. We would like to thank him both for his service as Deputy Governor with responsibility for financial stability and for his contribution to the work of the MPC, in which capacity he has given evidence to us and our predecessors.

Background to Sir John Gieve

7. Sir John Gieve joined the Civil Service in 1974, working in the Department of Employment. He moved to HM Treasury in 1979, where he worked in a variety of roles, including Press Secretary, Principal Private Secretary between 1989 and 1991 to the Chancellor of the Exchequer, Managing Director of Public Services and Managing Director of the Financial Regulation and Industry Directorate. Sir John became Permanent Secretary of the Home Office in April 2001 and he remained in this role until December 2005. Sir John's Curriculum Vitae is published with this report.

Role as Deputy Governor

8. In his new role as Deputy Governor, Sir John will be responsible for financial stability. This includes ensuring that the overall financial system is safe and secure and that threats to financial stability are detected and reduced. Maintaining financial stability is important to maintaining the United Kingdom's position as a leading international banking and financial centre. Challenges associated with the role will include examining the impact of the rapid growth, in recent years, of new complex and risky financial products, monitoring the influence of less mainstream investors, such as hedge funds, and addressing wider security concerns following the events of 11 September 2001 in New York and 7 July 2005 in London. Sir John will also take responsibility for the oversight of payment systems—a crucial part of the financial system, as they facilitate transactions between individuals, businesses and financial institutions.

9. We questioned Sir John on the robustness of the UK financial system and the need for new banking controls around recent financial innovations.

3 HM Treasury press notice, *Bank of England appointments*, 17 October 2005

Role as member of the MPC

10. As a Deputy Governor of the Bank of England, Sir John Gieve will also become a member of the MPC. In view of the economic and political importance of the MPC, there is a considerable degree of informed interest in both the general stance of its members and their individual positions at meetings. MPC members play a key role in representing that body to a wide range of audiences around the country and in gathering views from market participants.

11. We therefore questioned Sir John about his general stance on interest rate decisions and his approach to such matters as inflation expectations and the impact of high oil prices.

Conclusions

12. **Sir John Gieve brings relevant experience to the position of Deputy Governor, including from his spell as Permanent Secretary in the Home Office. He has worked extensively on financial stability and regulatory issues during his time at the Treasury, which will be relevant to his responsibilities at the Bank of England. We are satisfied that Sir John fulfils the criteria for appointment. We wish him every success in his new roles as Deputy Governor of the Bank of England and as a member of the MPC.**

Formal minutes

Tuesday 31 January 2006

Members present:

Mr John McFall, in the Chair

Lorely Burt	Mr Andrew Love
Jim Cousins	Kerry McCarthy
Angela Eagle	Mr George Mudie
Mr Michael Fallon	Mr Brooks Newmark
Ms Sally Keeble	Mr Mark Todd
Susan Kramer	Peter Viggers

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Draft Report [*Monetary Policy Committee of the Bank of England: appointment hearing for Sir John Gieve*], proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraph 1 to 12 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Tuesday 14 February at 9.45 am

List of witnesses

List of written evidence

Reports from the Treasury Committee during the current Parliament

Session 2005–06		Report	*Govt Response*
First Report	The Monetary Policy Committee of the Bank of England: appointment hearing	HC 525	—
Second Report	The 2005 Pre-Budget Report	HC 739	*Awaited*

Oral evidence

Taken before the Treasury Committee

on Thursday 26 January 2006

Members present:

Mr John McFall, in the Chair

Angela Eagle	Mr Andrew Love
Mr Michael Fallon	Mr Brooks Newmark
Susan Kramer	Peter Viggers

Witness: **Sir John Gieve,** Deputy Governor of the Bank of England, Financial Stability and Monetary Policy Committee Member, gave evidence.

Q1 Chairman: Good morning, Sir John, and welcome to this confirmation hearing. Congratulations on your appointment to the Bank. First of all, can I ask how were you appointed to the role of Deputy Governor of the Bank of England? For example, when did the appointment process begin and what did it entail?
Sir John Gieve: I only saw my bit of it so I cannot give you the full account of what the entire process was.

Q2 Chairman: We are only asking you. No clairvoyance here; if you just answer the question.
Sir John Gieve: I had a discussion with Gordon Brown and then with Mervyn King in July. At that point, as I understand it, they thought it was possible that Andrew Large would be retiring in the autumn. There was absolutely no commitment to that, they just wanted to know whether I would be interested if a vacancy arose, and they obviously wanted to talk to me; and Mervyn in particular, I guess, wanted to talk to me to see whether he thought I would be able to do the job. There was then a pause, and the next flurry of activity was once Andrew put in his resignation, I think at the beginning of October, and the week following that I talked to the Chancellor's office over the phone and I also went to see the Governor again and accepted the job. I understand that there were other discussions and other candidates were discussed, but obviously I do not know about that.

Q3 Chairman: That is no business of ours, but the process started in July for you?
Sir John Gieve: Yes.

Q4 Chairman: That was an improvement in Sir Andrew's case because he was given a matter of hours to decide on that. In fact when Sir Andrew filled in his questionnaire to us[1] he stated at the time that he intended to serve out a full term. We would consider, or I would consider that that was a little white lie, that Sir Andrew did not answer the question as openly and as honestly as he could. Given that you have indicated in your questionnaire[2] that you intend to serve the full time, being five years from 16 January 2006, do you intend to serve out that full term?
Sir John Gieve: Yes, that is my current plan; I have no other plans. I think Andrew in his retirement letter said that he had indicated at the start that five years was too long.

Q5 Chairman: We need not go into Sir Andrew's stuff; we went over that with him. In the course of the appointment process did you indicate any thoughts on your term to the Governor or the Chancellor?
Sir John Gieve: No, I just asked them what it was.

Q6 Chairman: On joining the Bank of England Sir Andrew Large told us that he had a lot of homework to do. What work will you be doing over the coming weeks to familiarise yourself with the role? I know you have a past history of this in working at very senior levels with the Treasury, but is there any homework that you will undertake?
Sir John Gieve: I am on an intensive induction programme really in three areas. Firstly, as a member of the Monetary Policy Committee bringing myself up to date with the forecasts, the Bank's forecasts, other forecasts and so on. A lot of that in the next couple of weeks is going to take place in the run-up to the decision in February, and I have just had one meeting, which was the initial presentation by the Bank's forecasters of its forecast and there are probably another 10 or 12 hours of meetings running up to the MPC. So that will be a key part of my induction there. In addition to that I have been getting briefings from the forecasters on different aspects of the way that they look at the economy. Secondly, on the FSA, I go to my first meeting at the FSA Board later today. I have asked them to arrange an induction programme which I will be discussing with the Secretary this afternoon, which will involve talking to some of the key players, but also doing some reading about the development of markets, particularly in the last five years. Thirdly, I am going to try and get out and about and meet people. Obviously compared to Andrew I have much less experience of the City and have a smaller

[1] HC (2001–02) 1187 Ev 1

[2] Ev 9–11

network—I know a fair number of people but I do not know his network and I need to get out and meet them, and I have a programme of introductory meetings with my counterparts abroad and also in the financial industry and in the regions, starting next week.

Q7 Chairman: You mentioned the FSA there, the Tripartite Committee of the Bank, FSA, the Treasury. That is an issue to which we may be returning so it is worthwhile keeping that in mind in your role with the FSA.
Sir John Gieve: Yes, absolutely. I went to my first meeting of that—or at least my first meeting in my new role—yesterday.

Q8 Chairman: You are very clear in your questionnaire[3] that you have worked with the Treasury and you have worked in very senior roles in the Treasury. How would you describe your relationship with the current Chancellor?
Sir John Gieve: I worked for him until about five years ago in the Treasury; I was one of his most senior officials, first of all in public spending and then on financial institutions and regulation. I got on well with him as I have, I think, with Ministers of all parties. You have to accept, as a civil servant, that there are some decisions you take for yourself independently—they are left to you—and there are others, especially on policy and presentation, where you are working for a political Minister, and that was the assumption I worked on and we got on fine. I have not actually seen a huge amount of Gordon since I moved to the Home Office; the main meetings I have had with him have been about the Home Office budget so it has been a slightly different relationship.

Q9 Chairman: You talk about budgets. Did you work closely with him in the 1998 and 2000 Comprehensive Spending Reviews?
Sir John Gieve: Yes.

Q10 Chairman: Can you give us any views on working in that relationship?
Sir John Gieve: I thought that was a big step forward actually in the way that spending planning was done, and although in the first spending review we introduced the ideas of PSAs and explicit success criteria for main departments I think it was in 2000 that we really took that seriously and embedded that fully in the process. I think holding Spending Reviews every two years was a big move for the better. The two reviews I did under Gordon were very different because the first one was very constrained, where we were holding to the previous government's plans, whereas 2000 was the beginning of the years of expansion. So, the first one was in some ways a good deal more difficult than the second. You may have other questions on that.

Q11 Chairman: That is fine; maybe Michael will. The Bank of England now has two former civil servants as its Deputy Governors. Will the markets and the public perceive that the Treasury is now increasing its influence over the Monetary Policy Committee and, if that is so, how do you suggest that the MPC and yourselves dispel any misconceptions?
Sir John Gieve: The point has been made in some of the Press but I do not think it has run very strongly and I do not think it should. Rachel has been there now for several years and I do not think there is any suggestion that she is less independent of the Treasury than any other member; I think she is patently making a big contribution both to the management of the Bank and the MPC and I hope to do the same. People will have to watch the record. Actually the structure of the MPC and the fact that people have to account individually—and I will have to account individually for my votes and my opinions—is actually a tremendous constraint on any undue influence. I think the fear of that is completely unreal; I am not entering a world in which I expect to get calls saying, "Please do X" or "Please do Y" from the Treasury, I just do not think that is the way this operates. But in any event my reputation is on the line personally about whether I make the right judgments, and I understand that.
Chairman: As far as Rachel Lomax is concerned we have seen her giving her robust views here and welcomed them and she has done it with an admirable clarity, so we do not have any problems in that Committee, but it is a question worth asking.

Q12 Mr Fallon: Nonetheless, Sir John, you are the second very senior Treasury civil servant and ex Permanent Secretary to be appointed as a Deputy Governor. When you were there in 1997–98, was it ever envisaged at the time of the legislation in setting up an independent Monetary Policy Committee that the Committee would become a kind of retirement home for Treasury mandarins?
Sir John Gieve: First of all, I do not think of it as a retirement home; I think of it as a very important job, picking up on the last point. I do not know what was envisaged in terms of Deputy Governors, I do not think there were any preconceptions; they wanted people there who could make a contribution to running the Bank and make a contribution to monetary policy and in my case, particularly, to financial regulation on that side of the Bank. I think the assumption was to get the best person for the job.

Q13 Mr Fallon: But is it not unfortunate that the Chancellor appoints four external members of the Monetary Committee and then appoints two Treasury officials as the two Deputy Governors? How does that enhance the perception of the Committee as a completely independent institution?
Sir John Gieve: All I can say is that the fact that the Chancellor appoints the external members and the Deputy Governors does not seem to have harmed the MPC's reputation hitherto. In fact you can look in the graphs, you can see the confidence effect when this regime was announced. Obviously if there was any suggestion that he was appointing placemen and

[3] Ev 9

the Treasury was directing policy, as it has done in the past, that could have a very damaging effect, of course it could, but I do not think that is the reality and it certainly is not the reality with me.

Q14 Mr Fallon: Do you have a personal view on the method of appointment? Senior judges are now appointed through open competition, through an independent commission, the Bank's own non-executive directors are appointed through open advertisement. Do you not think now that it is time to open up appointments of Deputy Governor through advertisement and open competition?
Sir John Gieve: I am in my first full week in the Bank, I have just been appointed, and I really do not think it is for me to start criticising the way I was appointed. Of course there are other ways of doing it and I think that is a question for you to take up with the Chancellor.

Q15 Mr Fallon: But you do not have a view yet as to whether Deputy Governors should be appointed through open advertisement and competition?
Sir John Gieve: As I say, I do not think having just been appointed under one process I should start criticising the process. Of course there are other ways of doing it and I know there have been suggestions that this Committee should play a more formal part. These are obviously key political judgments and I know you do discuss them with the Chancellor, but, actually, it is up to you; I have to work with the regime we have.

Q16 Mr Fallon: Okay. We would like to hear your views on something. Why do you not tell us which was the last interest rate decision of the MPC with which you disagreed?
Sir John Gieve: I do not have an answer to that. I have not followed each individual one over its life. Generally it has been remarkably successful. I come in with the inflation rate plumb on target so I think they have a fantastic track record, and I am not going to pick out one.

Q17 Mr Fallon: Do you think there is any advantage from increasing the transparency of the Monetary Policy Committee in attaching members' names to some of the arguments that are summarised in the minutes?
Sir John Gieve: Firstly, I do think that transparency is important and there should be a bias in favour of transparency. In fact, because the individual members give their own speeches and their own accounts and come along and talk to this Committee there is a fair degree of transparency, and in principle I would be quite interested in putting names to views. The risk is that that makes the agreement of the minutes a hugely long-winded process and leads to massive duplication and everyone puts in their page and you get nine pages repeating again and again bits of analysis, so there may be practical reasons against; but I am prepared to look at that.

Q18 Angela Eagle: Looking at your answers to questions in the questionnaire[4] it is quite refreshing when you say that you need to do more thinking about such things as the monetary aggregates and the output gap as a measure of measuring inflation. When do you think you will be in a situation to have completed your thinking on that?
Sir John Gieve: I do not think I will complete my thinking on it. If you ask the Governor, who has been doing this for decades, he would still be saying that he was thinking about the output gap and whether it made sense or not. In fact I think one of the last times he came here he had some new thoughts on how migration affected it. So this is not a case of doing your homework and it is done. Obviously I am just starting this job and I have not been in this field for the best part of five years and I have some catching up to do, and I would hope to do that very rapidly over the next few months.

Q19 Angela Eagle: Is that in terms of theory or applied judgment?
Sir John Gieve: Both actually. In the financial markets there has been a huge development of the derivative markets, for example, over the last five years and I need to better understand how that works. On the theory side the Bank has just revised its forecast model—it is state of the art, I think, very much at the moment—and I need to get a better understanding of how that works. I think it is substantially different from the model I used to know quite a lot about in the Treasury.

Q20 Angela Eagle: I often ask this of Monetary Policy Committee members, to define how they would characterise their view of theory and economics and the last answer to this question I had was a "neoclassical-Keynesian synthesis man". How would you describe your general theoretical economic position, your own beliefs?
Sir John Gieve: I think the last answer you got was "mainstream" from Paul Tucker and I am happier with that. Actually the gap between Keynesian and monetarists and neoclassical has muddied over time. When I was learning economics as a student I was a Keynesian, in effect, and that was back in the midst of time. Monetarism then came in, but actually—

Q21 Angela Eagle: Did you leap enthusiastically on that particular bandwagon?
Sir John Gieve: No, I was sceptical to begin with actually, but there were some fundamental insights in there which have been embodied now in mainstream economic thinking. I suppose I would think of myself as a practical economist.

Q22 Angela Eagle: You have been described as "relatively risk-averse"; where does that put you in the hawk/dove line—closer to hawk or dove?
Sir John Gieve: I do not know who has described me as relatively risk-averse. I do not think it is very helpful to think in terms just of hawk and dove, and I have not actually been through one meeting so I do

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not know where my colleagues in the MPC are and how hawkish or dovish they are. So I am not going to be labelled like that. I suppose the only thing I would say is that my particular responsibility in the Bank is financial stability and I am also on the FSA Board and that is bound to give me a particular concern about risks to financial stability.

Q23 Angela Eagle: It is probably best to be risk averse in that context then?
Sir John Gieve: Yes, and I know Sir Andrew Large expressed concerns a number of times about the state of markets and whether asset prices were getting out of alignment, and so on, and I will follow him in being concerned about that, but I do not know whether that makes me a hawk or a dove.

Q24 Angela Eagle: On inflation, given that there are still great uncertainties as to the further impacts of high and continuingly high energy prices, to what extent do you think it is appropriate to maintain interest rates at a slightly higher level than would have been the case had we not had this phenomenon of much higher and long-lasting energy prices than was originally assumed would be the case?
Sir John Gieve: Obviously the continuing impact of oil and even more, perhaps now, gas prices is something that the MPC will be looking at this month and next month and it is a continuing cause of concern. I am not sure you are right in saying that you need to maintain higher interest rates in the face of an oil price hike. The oil price hike has a number of effects and one of those is, if anything, to depress output and growth. So the key issue around the oil price hike is: is the impact on consumer prices a one-off or is it getting embedded in expectations and wage behaviour? So far it does not seem to have been but, as I say, particularly on gas prices, that is something we are going to have to watch over the next few months.

Q25 Peter Viggers: May I say, Sir John, that I well remember your time as Private Secretary to the Chief Secretary of the Treasury and your subsequent career has given me satisfaction, untinged with surprise. May I ask, how serious do you regard the problems facing private sector pension schemes at the moment?
Sir John Gieve: There are a number of different pension problems. Are you referring to the indexed gilts issue or the fact that there are deficits in many of the schemes?

Q26 Peter Viggers: The fact that there are deficits in many schemes and that the Pensions Protection Fund is now taking action which could threaten a large number of companies and bring in good companies as well as the less strong.
Sir John Gieve: I am not going to comment on the last point, I do not know enough about the Pension Protection Fund and I am not sure this is a regulatory problem. My sense over pension schemes is that, first of all, especially on defined benefit schemes, a lot of companies have been closing their schemes to new members and that has changed the way in which the accountants and actuaries and businesses who are responsible for them are looking at their remaining liabilities, which are more predictable. It is their judgment, if you like, that they need to match liabilities and assets more closely. That is definitely having an impact in the very long index gilt market and I know—and it is in the papers again today—that the DMO and the Treasury and so on are thinking about that and what impact it will have on their future debt issuance programme and so on. From a Bank point of view the question is, firstly, is this going to affect consumer prices in the next couple of years, from an MPC point of view? Secondly, is this going to be a source of systemic instability? I do not see that myself. So there is a lot to worry about for the Pensions Regulator but I do not actually see the current level of low interest rates resulting from that as a particular threat to the system.

Q27 Peter Viggers: The point I am working towards is this: that my colleagues have referred to the comment that the Bank of England might look like the City branch of the Treasury with two Deputy Governors from the Treasury area, and I wonder whether it could be that there is a lack of awareness within the Bank of England of the practical problems of running a private business? It is a reflection of that.
Sir John Gieve: That is a slightly different point. I think the MPC in particular, but the Bank generally have made a big effort over the last few years to get out and make sure that they do have direct contacts with a wide range of private sector businesses through a programme of regional visits and so on and so forth. I do think that that is highly desirable and necessary and I would intend to do that too. Clearly, switching from Andrew Large, who spent most of his career in private business, albeit in the City and international finance, to me, means I have to work to bridge that gap. He had a broader experience of that than I have had and I am going to have to work hard to try and establish those contacts. There is always a risk that the Bank could get out of touch but I think it has programmes in place to prevent that happening.

Q28 Peter Viggers: In practical terms how many regional visits do you plan or expect to make each year?
Sir John Gieve: I have looked at my forward programme and I have one next week to Yorkshire; I have four in the diary for this year, and I will start with that; I will add to them rather than reduce them.

Q29 Peter Viggers: There seems to have been an attempt recently by a number of members of the Committee to talk down the ability of monetary policy to stabilise output. Do you think that an unrealistic expectation has grown up that the Monetary Policy Committee has abolished the business cycle and will be able to deliver constant quarter-after-quarter growth?

Sir John Gieve: I think there is a risk, yes, because we have had a remarkable period of stability, both on output and prices. So I think it would be surprising if there was not. I think the public and business tend to have quite limited memories so the fact that this has now been going on for 10 years plus means people are getting used to it. I do not know that they have the view that the Bank in particular can guarantee this, but I think there is a risk that people are a bit too sanguine about the stability in the future. The remarks that you are referring to, that Mervyn, for example, has made about bumpy roads and so on, are intended to remind people that this has been very, very unusual in the last few years and that the Bank and other authorities cannot guarantee a path for output, although I think the new framework can prevent the sort of booms that we have seen in the past, which have been associated with very high inflation—that is the point of the system.

Q30 Chairman: Sir John, in your time as head of the Financial Regulation and Banking Service at the Treasury and your two years working for a venture capital company, as you mention on your form, surely that must have given you an insight into private industry? What did you learn from that, particularly your two years in a venture capital company?
Sir John Gieve: I learnt a great deal. It is some years ago now but I had a portfolio of investments largely in West London, largely small. It was in the 1980s, it was a mixture of loans and equity investments which were going bad and new opportunities to invest and I learnt a massive amount about how you judge a business, and I cannot encapsulate that in a few pithy points. I suppose at the small business end, which is what I was dealing with, the key lesson I learnt was that it is all about people and not about models and business plans.

Q31 Mr Newmark: Turning to consumer spending and taxation, to what extent do you agree with the Governor that the quite sharp rise in the ratio of taxes to household disposable incomes has contributed to the slowdown in consumer spending over the past couple of years? And will the increased tax ratio continue to act as a long-term drag on consumer spending?
Sir John Gieve: It must have been a factor. There are other factors, the oil price rise, and the fact that the MPC put up interest rates, so a number of factors have contributed but certainly the increase in the tax acts as one of them. As for the longer term, the key thing is what happens to the tax take in the longer term? The government is not predicting a continuous rise in that; if it were then clearly that change would continue to be a factor holding down consumption, but that is not what it is projecting.

Q32 Mr Newmark: You have just alluded to the interest rate rises in causing the slowdown in 2004 and 2005. In your mind how important was that? Was that critical in slowing things down or were there other factors?
Sir John Gieve: There were other factors and I have referred you to them, but, yes, I do think that was a very important factor, both in signalling the way that interest rates affect the economy both mechanically, if you like, through changing the balance between savers and borrowers, but also in signalling the future course of the economy, and I think it did both.

Q33 Mr Newmark: Unfortunately under the Chancellor's watch growth seems to have slumped from about 2.7% to 0.5% growth, probably its worst performance since 1990. What prospects do you see for consumer spending growth over the coming year or so?
Sir John Gieve: On your first point I think to call it a slump is exaggerating.

Q34 Mr Newmark: You do not think 2.7% down to 0.5% is a very large drop?
Sir John Gieve: I think the latest GDP figures, which came out just yesterday, suggested 0.5% in the last quarter.

Q35 Mr Newmark: I just want to flesh this out a bit. You view 0.5% growth as not bad, reasonable?
Sir John Gieve: 0.6% for one quarter, at that rate you are around 2.5% for the year, which is not a slump, that is the point I was making. What we saw was quite a rapid slowdown at the end of 2004 and the beginning of 2005 and it looks now as though growth and consumption growth picked up again towards the end of the year and that the Bank's inflation report in November saw growth moving back up to 2.5% to 3% over the next two years at the centre of its range. I think just looking at the newspapers today that that seems to be where the market is now.

Q36 Mr Newmark: You mentioned the issue of the high price of oil. To what extent did the relatively high oil price explain the slowdown in growth— which you do not believe is a slowdown—that is perceived out there in the rest of the market for 2005?
Sir John Gieve: I did not say there had not been a slowdown; I said there had been a slowdown. I think it was a factor, it was a factor on consumption; it may have been a factor on investment as well; and, of course, it may well have had supply side effects in changing relative prices and making some capital unproductive. But, yes, I think it has been quite an important factor.

Q37 Mr Newmark: Given that this is an issue that the markets are looking at and drilling down a little more, what sort of data will you be monitoring to determine whether higher oil price rises have had any second round effects on earnings or inflation expectations?
Sir John Gieve: First of all, you look at the actual earnings figures and the price figures and the surveys of price expectations as well as, if you like, the embedded price expectations in markets. On earnings, of course, there is a lag between deals being done today and average earnings and so you also

have to look at deals today, and January/February are important months, particularly in the public sector. So we will be looking at those and trying to assess whether there is any sign there that things are picking up. As I say, so far there has not been much sign of that but the game is not played out yet, and on gas prices particularly there are some warnings of further increases in gas prices and we will have to watch those too.

Q38 Mr Newmark: The Governor has said it is important that the fiscal rules are met and that they are an integral part of the overall macroeconomic framework. How much more difficult would it make your job in helping to set monetary policy if the Chancellor fails to stick to those fiscal rules?
Sir John Gieve: We have to set interest rates to deliver a certain inflation result and if fiscal policy departed or changed in effect to be more permissive then we would see effects on monetary policy. How difficult it would make our job depends how stable it was and what the policy changed to.

Q39 Mr Newmark: I am particularly interested in how much would the Chancellor have to miss his golden rule before you became concerned, and does the golden rule have any meaning to you?
Sir John Gieve: I am a supporter of the golden rule.

Q40 Mr Newmark: Do you want to explain to me what it is because it keeps moving the goalposts?
Sir John Gieve: The golden rule is that you should balance current expenditure and revenues over the economic cycle. The broad point is that the government should pay for its current expenditure over a period of years. I rather agree with the Committee, whose report I have of course been looking at, that what matters for policy is the future prospect. Of course the government has to explain what is its record and has it kept to its rules in the past; that is one debate. But what matters for policy is, from where we are now, are the policies going to keep to those rules in the future? That is the key question. The Treasury's PBR says that they are, it reasserts its determination to keep to that golden rule over, if you like, the next cycle, the cycle starting today, and to offset today's deficits with surpluses in the future. That is what the plan shows and that is what they have said they are going to do; I think that is a good policy and a sustainable policy.

Q41 Mr Newmark: Do you not think that it is important, having told the markets to set out a framework in which the golden rule is, that the Chancellor then, when things do not quite match up to the initial parameters that he set, he should not be slightly time shifting those rules, or is that really not a concern?
Sir John Gieve: As I say, the key thing for us in assessing the strength of the economy and how it is going to develop is what is going to happen from now on? The question of how you measure what exactly has happened in the past is inevitable in politics because rightly you are going to hold the Treasury and the Chancellor to account for whether they have done what they said they were going to do. So inevitably you are going to be saying, "Since 1997 have you kept to the golden rule or not?" So that is an important debate in terms of accountability, but in terms of what is going to happen to the economy the key thing is: where are we going from here? Why I said I think the golden rule is a good rule—it is not the only rule he can have—is because it is definitely sustainable and it is easily understood. I am not going to get drawn on the fine print of when did the cycle start? And when did it finish? and so on and so forth because I think that is not a matter for me.

Q42 Chairman: You started in the Treasury in 1978, Sir John, and in your answers to us about oil prices you mentioned the impact on prices and the wider impact of the rise on the economy will depend on the causes of the increase, which seem different now than in the late 1970s, and there has been comment that unlike the late 1970s inflation has not ripped, or there has been recession. What is the difference between now and the 1970s?
Sir John Gieve: I suppose the 1970s was more of a pure supply shock; it was a cartel forcing prices up and restricting supply in order to do that, whereas today I think the obvious explanation of the rise in prices is simply that demand is increasing, particularly demand from China, India and the developing economies. So the cause is different. What we saw after the 1970s was a decline again in oil prices, and I am not sure that that is so likely this time, although I am not getting into forecasting whether it is going up or down in the next few months. The underlying cause of the rise is partly some supply difficulties and hurricanes and so on and so forth, all of those are factors, but underlying that is a rapid growth in demand for oil. So we have a simple supply and demand change.

Q43 Mr Love: Do you think there is any potential conflict between your two roles, one as a member of the Monetary Policy Committee and the other as the person responsible for financial stability?
Sir John Gieve: No. Sorry, do you want me to elaborate?

Q44 Mr Love: I was hoping that you might elaborate slightly; that is a very definite response. Perhaps I can ask the question in a slightly different way. Do you think the fact that you have responsibility for financial stability will in any way influence whether or not you turn out to be a hawk or a dove as a member of the Monetary Policy Committee and have you made any assessment of the likely impact that your role for financial stability will have on it?
Sir John Gieve: I have three roles because I am also a member of the FSA Board and so I have that angle too, and I think it is highly desirable to have a very close working relationship with the FSA. The point is, looking at things like asset prices, risks of disruption in the market and so on I am worrying

about that from two points of view. The MPC worries about that and you will have seen that practically every member of the MPC has been talking over the last few years, about global imbalances and risks and so on to the future. I suppose I have a particular angle on that which is that a disorderly correction of those imbalances could well give rise to problems in the financial system. So I am bound to think a lot about it in both roles, so that perhaps gives me a particular angle coming to the MPC. On the other hand, like other members of the MPC I am working there to a particular remit, and that is a practical judgment of what is going to produce 2% inflation in two years' time. I hope I will bring an open mind to that and I will take account of the risks as indeed the other MPC members do. But I am not coming into it with a feeling of, "I would much rather it was 1.5% so I will aim off on the downside," I am going to try, as other members do, to get it right.

Q45 Mr Love: Let me press you a little on that because in a working paper from the Bank of International Stability they said that there should be a greater willingness of the monetary authorities to respond to the occasional development of financial imbalances that cause a threat to the economy. Do you think that is a legitimate claim and will that influence you strongly in your role in the Monetary Policy Committee?
Sir John Gieve: I am pretty cautious about the idea of pricking asset price bubbles by changing interest rates. If you had perfect foresight and you were certain that an asset price rise was a bubble then life would be a lot easier and it would be open to the Bank to consider at any rate trying to prevent asset prices getting out of their long-term trend. But in practice that is extremely difficult. You have watched the papers over the last few years and how many times do you see scare stories about house prices about to fall like stones and so on? Several times a year, every year. So there is a great risk that you get these things wrong. Secondly, it is not altogether clear what the appropriate action is, and there is a great danger that you utterly distort monetary policy and therefore its impact on demand and underlying demand in an attempt to manage asset prices. So I am very cautious about it. I absolutely understand why, looking back over history, you can see times when severe asset price bubbles have happened, broken and afterwards people can say, "It would have been better for someone to try and take some preventive action." So in theory, yes, you have to be alive to that, but I would be pretty cautious in practice.

Q46 Mr Love: Can I turn to the risks to financial stability? There has been quite a lot of discussion recently about the lag between financial innovation and setting up some sort of controlled environment to ensure that you do not have instability. Have you had an opportunity to make any assessment of where you think those risks may lie in the financial system?
Sir John Gieve: Not really. This is one of the areas where I am going to have to do a lot of work to catch up with where we are in the financial markets. There are two different angles on this: one, the FSA is naturally concerned about consumers and consumers getting into difficulties, partly because they do not understand what they are buying, and they have given some warnings—yesterday, I think—about that and that is one point. I guess from the Bank's point of view the question is not so much that as what are the risks of these things leading to a real financial crisis and systemic risk? It is one of the things that is on the list, absolutely, particularly where you get a lot of innovation and you are not sure that the markets will remain open, for example, if there are shocks. That is a cause of worry, I know, and I will be thinking about that a lot.

Q47 Mr Love: Are you confident that the Bank has the necessary competence and expertise in recognising that there is an increasingly complex environment and an increasingly fast moving international financial market place, and that it is up to being able to ensure financial stability into the future?
Sir John Gieve: You never reduce these things to a zero risk, that is the first point. The people I have met at the Bank have impressed me; the Bank has the advantage that it is actually a player in some of these markets as well as an observer, so it can bring to the party people who actually operate in the markets with the main banks and other counter parties. I absolutely see the risk that the Bank could get detached and I see it as part of my job to make sure that it does not.

Q48 Susan Kramer: Sir John, I shall be fascinated to see how you adapt to the culture of actually taking a view and voting on a number. Can I pick up one issue that was touched on a few moments ago, the issue of asset prices, to clarify something? You talked about the risk of doing more harm than good, in effect, of focusing on something like a house price bubble, but would you completely rule out taking a specific action if you felt that the bubble was getting extreme, or are you leaving yourself some room to say there might be situations in which you might indeed target that bubble?
Sir John Gieve: No, I think I am leaving myself room. That will depress you further, but I am leaving myself room. All I am saying is that you need to be very certain of your ground, (a) on assessing the state of the market, and (b) on assessing how you can actually impact on it. Of course there are things that the Bank can do short of changing interest rates to have an impact on expectations for example it can talk about things; it can talk to the market participants and of course it does that a great deal, and that will be one of my roles.

Q49 Susan Kramer: To talk about another kind of shock, somewhat related. In November Sir Andrew Large told us he was concerned that beyond a certain limit of leverage it is possible that a shock can influence households' consumption and behaviour much more significantly compared with the case where households have lower levels of debt. Do you share Sir Andrew's concerns in this area and, if you do, how would you reflect that in your financial stability work?

Sir John Gieve: I can see what he is talking about. As I say in my answers to the written questionnaire,[5] you have to look at the household balance sheet as a whole: assets and liabilities. I would expect both to continue to grow over the next few years, mainly because this is very housing dominated and over time you expect to see people selling houses and putting the proceeds into financial assets while new buyers build up mortgages. So I would expect over time to continue to see both sides of the household balance sheet increasing and I do not think that that is worrying in itself. So in a sense I think this comes back to the house price question. Obviously what could cause disruption and has been a source of worry in the past is if you have a sudden fall in house prices. I think I am less worried about that now than I would have been a couple of years ago when house prices were increasing very fast, but actually over the last 18 months we have seen a period of a fair degree of stability in house prices so we have had what you would hope to have in terms of an adjustment without disorderly reductions, but obviously that is something you have to keep watching. In terms of financial stability I think the main risks that the Bank and others have identified to systemic instability arise outside the UK. Of course there are things to worry about: there are risk premia and the narrow spread of those within the UK, but I think the greater risks come from the effect on our system of a correction in global imbalances and that is the big black cloud, if you like, which is worrying people concerned with financial stability.

Q50 Susan Kramer: Another black cloud is obviously the whole issue of terrorism, which is a risk in that sense to financial stability, and obviously coming from the Home Office you have a particular background in this area. Given that background and your knowledge of emergency planning how robust, in your view, is the UK financial system and its ability to recover from some sort of major operational disruption?

Sir John Gieve: You are right, that operational risk is something that is very important and is as important, in my mind, as the risk of a financially generated crisis. I think the banks individually and the system more generally are far more resilient now than they were a few years ago. What we were discussing yesterday in the Standing Committee was next year's programme of exercises with the private sector and also among the FSA, Bank and Treasury, to make sure that we are in a position to handle operational breakdowns of a variety of sorts and I think that programme has been very valuable. But the exercises always show that procedures do not work perfectly, and you will see that the FSA put that right at the top of its publication yesterday. Their advice to firms is to do more stress testing of their operations, and I think more of that needs to happen.

Q51 Susan Kramer: Lastly, since you have essentially said that the biggest risks that you see are ones that essentially beyond our control because they are global and beyond the borders, are there any missing tools that would make a difference in being able to respond and achieve that orderly adjustment that you have talked about as being so important?

Sir John Gieve: I obviously have to get into this in more detail. I think the most difficult thing in this area is international coordination and making that real, and the exercise programme that we are talking about includes working with some other countries on how we interact, and so on, and I think that is essential—I am going to go to various international meetings in the next two months which will be discussing how we coordinate—and there is no doubt that is the most difficult thing. From the Bank's point of view, looking at Britain, we need to take account of the fact that there will be imperfect coordination in planning what we do and what we need to be ready for. In terms of levers, I suppose one thing that I will be looking at with the Treasury and the FSA is whether we have the right oversight levers around payment systems because the Bank obviously has a particular concern about the high level payment systems, and we will be looking at that.

Q52 Chairman: Sir John, last February the Governor made a speech in which he said that there needed to be a more cooperative outcome to resolve the global imbalances in the International Monetary System. If so, and you agree with him, do you think that the IMF is the body to do that?

Sir John Gieve: I do not know is the answer to that. As it has developed the IMF has focused increasingly on dealing with macroeconomic instability in developing economies; it has not been the leader for the whole world monetary system. I know that they have set up a strategic review to see whether it should be redefining its role and I will be interested to see how that develops and to play a part in it, but I am not sure whether it can play that role.

Q53 Chairman: What are your thoughts on the appropriateness of that review which was undertaken in September by the IMF? Do you have any at the moment or would you be willing to forward us your views because one of the inquiries we are undertaking very shortly is into the IMF and the World Bank, and then we are going to go on to globalisation. So these are areas that, you being responsible for the International Finance Division of the Bank, seem to be very germane to us.

[5] Ev 10

Sir John Gieve: I saw that you had started an inquiry and I do not think we have yet seen the result of the IMF's initial work. The IMF has set up various working parties, has it not, to look at different aspects and we do not have any of that output. So at some point I am certainly willing to come back and talk about that. Actually this is of as much concern to Rachel as it is to me because she is the Governor's deputy on many of these IMF issues. I know that the Governor is going to talk about this in the next few months again, about the reform of the IMF. It may not just be me but I think the Bank would certainly be willing to contribute.

Q54 Chairman: Thank you. Lastly, Sir John, in your questionnaire which you sent to us, question five on accountability, you made the point that the parliamentary process needs to include some individual accountability. We have spoken about that a bit this morning, but you have made me think that if it needs some individual accountability is it not a case for taking back to your colleagues the possibility of an initiative where you provide us individuals with a written account of your work progress views over the year as well as coming before us? Why do you not take that back with you?

Sir John Gieve: Okay, fine.

Q55 Chairman: Thank you very much for your time, Sir John, and every success in your role as Deputy Governor.

Sir John Gieve: Thank you.

Treasury Committee Questionnaire ahead of appointment hearing for Sir John Gieve

A. Personal and Professional Background

1. *Do you have any business or financial connections or other commitments which might give rise to a conflict of interest in carrying out your duties as a member of the MPC? Are there any relevant personal or other factors of which the Treasury Committee should be aware in considering your appointment?*

No.

2. *Do you intend to serve out the full term for which you are appointed?*

Yes.

3. *Please explain how your experience to date has equipped you to fulfil your responsibilities as a member of the MPC and as Deputy Governor responsible for financial stability.*

My experience in HM Treasury over 20 years gave me considerable exposure to the main issues of economic and financial policy and involved working closely with the Bank. In particular, as Principal Private Secretary to the Chancellor, I was privy to all the main policy discussions across the range of the Treasury's responsibilities (which then included monetary policy). Later, as the director responsible for the Budget and Public Finances and then Public Services and expenditure, I was closely involved in the decisions on overall fiscal and economic policy. That experience will be of value to me as a member of the MPC.

The skills I developed as Permanent Secretary in the Home Office and, before that, on the Treasury Management Board will enable me to support the Governor in leading and managing the Bank.

My responsibility in the Home Office for counter terrorism and financial crime will be of value in taking responsibility as Deputy Governor for contingency planning and in my work as a member of the board of the Financial Services Authority. I was for three years head of the division in the Treasury dealing with financial regulation and banking. In that role I worked closely with the Bank on issues relating to the financing of small firms, negative equity, the regulation both of domestic and EU banks, and the potential impact on financial stability of banking failures including the collapse of BCCI. Later I was the Board Director responsible for financial regulation and a member of the Standing Committee which brings together the Bank, the FSA, and the Treasury to discuss their work to maintain financial stability. I also spent two years working for a venture capital company. The experience and knowledge I gained in these jobs will be directly relevant to my responsibilities as Deputy Governor for Financial Stability.

4. *To what extent will membership of the MPC require a different approach from that required in the senior civil service with regard to the discharge of the duties and responsibilities involved?*

Both roles require a similar commitment to the public interest and public service values. The main differences lie in the Bank's independence from Ministers and the individual public accountability of individual members of the MPC for their votes.

B. Accountability

5. *How important do you think it is for MPC members to be subject to ex post parliamentary accountability? What are the strongest and weakest parts of the current procedures?*

I think it is important for any public body to account to the public for its decisions and performance. It is particularly important for the Bank and for the MPC because maintaining public trust and credibility is essential to its ability to deliver monetary and financial stability. Accounting to Parliament both in written reports and in committee hearings must be a central part of that. Given the individual responsibility of MPC members for their votes, the Parliamentary process needs to include some individual accountability. As far as I can see, the present process works well. I will have a better feel for how this works after Thursday.

6. *If you were to make yourself available for reappointment to the MPC at the end of your term, what criteria should be used to assess your individual record as an MPC member?*

I think the criteria should include: the success of the MPC in meeting its target; my contribution to that in terms of my voting record and also my contribution to internal debates; my contribution to building the public's trust and understanding of the Bank and its decisions for example through speeches and regional visits. Obviously my contribution to leading and managing the Bank and its work on financial stability would also be relevant.

C. Monetary and Economic Policy

7. *How might the post-1998 monetary policy control system be improved? Is the framework of an explicit symmetrical inflation target the best within which to conduct policy?*

It is too early for me to judge whether there are practical ways of improving the process but I am convinced that the main features of the present system are right in principle and they have been remarkably successful in practice. In particular I think the clarity of a public inflation target not only ensures that the Bank focuses on the final outcome but helps to condition inflation expectations. I favour a symmetrical target because it requires the Bank to take the risk of an excessively tight policy as seriously as the risk of too loose a policy and thus contributes to the broader goal of economic stability.

8. *What issues do the increasing levels of household indebtedness present for financial stability and monetary policy?*

The MPC is bound to give a lot of attention to the household sector balance sheet—both assets and liabilities—in judging the likely course of the economy and prices. It is a major factor in determining consumption. At present I doubt whether the increases in unsecured borrowing are sufficiently large to have great significance for monetary policy although they raise some social concerns. The rise in mortgage borrowing has accompanied the rise in the value of the housing stock. Given that, it is not likely that the level of secured borrowing poses a risk to monetary or financial stability over and above the risks posed by the current high level of house prices. I would expect the MPC to monitor this risk closely as part of its wider assessment of the inflation prospect. We need also to assess the impact of the rise in the levels of household debt on the sensitivity of households to interest rate changes.

9. *How great is the risk to UK growth and inflation posed by high oil prices? How should monetary policy react to higher inflation caused by increased oil prices?*

I think the general view among economists is that the immediate impact of a rise in oil prices on the CPI cannot be offset by monetary policy which should look beyond that first round impact to how it will work through the economy over the next two years and on the second round impacts for example on wages. This seems reasonable to me but I will want to go into the issues closely in the coming weeks. So far the sharp rise in oil prices over the last couple of years does not seem to have fed through into a longer-term rise in earnings or inflation expectations but that is something we will need to continue to monitor closely. Both the impact on prices and the wider impact of the rise on the economy will depend on the causes of the increase (which seem different now than in the late '70s for example).

10. *What consideration should be given to the exchange rate and to asset prices, including house prices, within the framework for inflation targeting? In particular, how should monetary policy react to asset price bubbles?*

I know from experience both how critical these questions are for monetary policy and how easy is to get them wrong. The MPC's starting point has to be our target ie we need to focus on the impact of asset prices and the exchange rate on inflation and not give them an independent standing. We need also to be careful in interpreting relative price movements. While history has demonstrated that asset price bubbles can arise, it is rarely possible to be sure at the time whether an asset price rise is sustainable or is seriously overshooting.

Even in cases where asset prices do seem substantially too high, it may be best for the monetary authority to draw attention to the risks of market participants and prepare to respond effectively to the expected correction rather than to seek to impact asset prices directly.

11. *The IMF recently recommended that "it would be worthwhile for the [Bank of England]to expand the number of key macroeconomic variables for which quantified projections are published".*[1] *Do you agree with this statement? Which additional key economic variables should the Bank publish projections for?*

I will need to get more experience of the forecast process before I can answer that. In general I do think that the MPC should be as transparent as possible in its working and reasoning and the Inflation Report and the monthly publication of the minutes contribute to that. I am not clear whether that should lead to publication of quantitative forecasts for more variables. There is a danger that the need to reach agreement on a wider range of variables would distract the MPC from its key task of forecasting inflation and assessing the risks around that forecast. The publication of a wide range of quantitative projections could also weaken the focus on the key messages about inflation prospects that the MPC needs to communicate.

12. *Do you believe that the natural rate of unemployment is a useful concept? On your assessment, where is unemployment currently relative to the natural rate?*

The natural rate of unemployment like the output gap is a helpful part of the framework for thinking about the economy, but I do not see it as a reliable method of pin-pointing exact numbers or actions. The MPC does need to think about how much slack there is in the labour market in assessing the future prospects for inflation but it is not possible to do that by simply comparing the current rate with a known natural rate. The natural rate is uncertain and liable to change (indeed there are some grounds for thinking it has been reducing in recent years).

13. *What weight do you place on (a) the monetary aggregates and (b) the output gap in your assessment of inflation prospects?*

I need to do more thinking about this but my initial view would be that both are useful in forming a judgement on the likely course of inflation, but should be seen as just part of the tool set. While in the long term the quantity of money does determine the level of prices, in the near term the velocity of circulation is not sufficiently stable or predictable to use monetary aggregates as a reliable guide to future inflation. The output gap is not directly observable; judging what it is and how it is moving requires a broader analysis of labour and other markets.

14. *To what extent should fiscal policy play a demand management role alongside monetary policy in the short run?*

While a sustainable fiscal policy helps alongside monetary policy to create economic stability, I do not think fiscal policy should be expected to play a role in short-term economic management. Both changes to taxation and public spending take time to implement and to impact on demand and growth and they are usually difficult to reverse. As I know from experience, attempts in the past to use fiscal policy for demand management have not been encouraging.

January 2006

Sir John Gieve's Curriculum Vitae

Sir John Gieve was appointed Deputy Governor in January 2006. In addition to his membership of the Monetary Policy Committee, he has specific responsibility for the Bank's Financial Stability work and is a member of the Board of the FSA.

Before joining the Bank he was Home Office Permanent Secretary. He was appointed in April 2001. Over the last four years he has led a major programme to improve the performance and build the capacity of the department and its agencies through rigorous performance management, bringing in new skills, and restructuring the department and the services it is responsible for.

He joined the Civil Service in 1974 working in the Department of Employment on industrial relations, pay policy and special training and employment schemes to reduce unemployment.

[1] International Monetary Fund, Staff report for the 2004 Article IV Consultation, para 42, page 27.

He moved to Treasury in 1978 and worked on employment and energy policy before becoming Private Secretary to the Chief Secretary. Between 1984 and 1986 he was seconded to 3i as an investment controller in their London office. He returned to Treasury to head the team co-ordinating the annual public expenditure survey and in 1988 was appointed Treasury Press Secretary. One year later he became Principal Private Secretary to the Chancellor, and worked for Nigel Lawson, John Major and Norman Lamont.

Between 1991 and 1994 John headed the group responsible for policy on banks and City regulators before moving to the Directorate responsible for planning and control of public spending and for improving productivity in the public services. John managed the Comprehensive Spending Reviews in 1998 and 2000, establishing the system of Public Service Agreements and setting up the Public Services Productivity Panel.

He chaired the reviews of crime reduction and of children and young people at risk in the 2000 Spending Review, the latter focussed on how to mobilise all departmental programmes to support key cross-departmental targets.

John is married with two sons in their early twenties and has lived for 20 years in North London. He is a Governor of an Islington Primary School, trustee of a local sports charity and a keen Arsenal supporter.

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