



House of Commons
Treasury Committee

Appointment of Dr Martin Weale to the Monetary Policy Committee of the Bank of England

Second Report of Session 2010–11

Volume I

Report, together with formal minutes

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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, HM Revenue and Customs and associated public bodies.

Current membership

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Mr Chuka Umunna MP (*Labour, Streatham*)

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.

Publication

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) are on the Internet at www.parliament.uk/treascom.

Committee staff

The current staff of the Committee are Eve Samson (Clerk), David Slater (Second Clerk), Adam Wales, Jay Sheth, and Jonathan Tang (Committee Specialists), Phil Jones (Senior Committee Assistant), Caroline McElwee (Committee Assistant), Gabrielle Henderson (Committee Support Assistant) and Laura Humble (Media Officer).

Contacts

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Summary

The independence of Monetary Policy Committee members is especially important given the high-profile nature of the role, where members of the Monetary Policy Committee are expected, via speeches and interviews with the press, to ensure that the process of monetary policy is accountable to the wider public.

We will follow previous practice and continue to use the criteria of professional competence and personal independence against which to consider appointees to the Monetary Policy Committee.

We are satisfied that Dr Martin Weale fulfils our two criteria for appointment to the Monetary Policy Committee of professional competence and personal independence. We wish him every success as a member of the MPC.

1 The conduct of MPC appointment hearings

Professional competence and personal independence

1. Previous Treasury Committees have conducted appointment hearings since the inception of the Monetary Policy Committee (MPC) in 1997. In its Report *The Accountability of the Bank of England*, the Treasury Committee of the time stated that:

Candidates for the Governorship, Deputy Governorships and other Monetary Policy Committee posts should be selected to meet the twin requirements of demonstrable professional competence and personal independence from the Government.¹

That Committee, and successor Treasury Committees in the 2001 and 2005 Parliaments followed these principles in all Monetary Policy Committee appointments. While proving professional competence is a necessity for any job interview, it may be worthwhile to consider why personal independence was also considered a prerequisite for Monetary Policy Committee positions.

2. The Monetary Policy Committee was expressly created to ensure that its members would conduct monetary policy to meet the inflation target. The fear had been that a government would always be tempted to use monetary policy to meet political ends. When the then Chancellor of the Exchequer wrote to the Governor of the Bank of England on 6 May 1997, announcing the creation of the Monetary Policy Committee, he stated that “Our Manifesto commitment is to ‘ensure that decision-making on monetary policy is more effective, open, accountable and free from short-term political manipulation’”.² The Treasury Committee of that time noted that:

Freeing monetary policy from the ‘inflation bias’ associated with governments which succumb to a “succession of temptations” is one of the principal reasons advanced to support central bank independence, and so we would regard any politicisation of the appointments process as undesirable. If the Bank is to withstand what could conceivably be intense political pressure, the Governor and other members of the MPC will need to be secure from the threat of dismissal for doing so and should also be free from the perception of an association with a particular government.³

Given that votes on the Monetary Policy Committee are conducted under a one-person, one-vote system, for the Committee as a whole to be considered independent, its members must be seen to be independent too. **Independence is especially important given the high-profile nature of the role, where members of the Monetary Policy Committee are expected, via speeches and interviews with the press, to ensure that the process of monetary policy is accountable to the wider public.**

1 Treasury Committee, First Report of Session 1997–98, *Accountability of the Bank of England*, HC 282, para 46

2 Bank of England website, The New Monetary Policy Framework, Letter from the Chancellor to the Governor dated 6 May 1997

3 Treasury Committee, First Report of Session 1997–98, *Accountability of the Bank of England*, HC 282, para 45

3. The requirement that appointees should be independent was adopted by the Liaison Committee in the previous Parliament for the formalised process of pre-appointment hearings agreed following the publication of the previous Government's Green Paper *Governance in Britain*. The Liaison Committee concluded that "Personal independence is a key requirement in all public posts and most obviously in those such as a regulator, or the Chairman of the BBC Trust. It should be included explicitly as a focus of any hearings [...]"⁴

4. As noted above, the criteria of professional competence and personal independence have been used by previous Treasury Committees as the basis for which to assess potential MPC appointees. **We will follow previous practice and continue to use the criteria of professional competence and personal independence against which to consider appointees to the Monetary Policy Committee.**

4 Liaison Committee, First Report of Session 2007–08, *Pre-appointment hearings by select committees*, HC 384, para 12

2 The appointment of Dr Martin Weale

Current vacancy

5. The current vacancy on the MPC arose from the departure of Kate Barker CBE, after nine years as an external member of the Monetary Policy Committee. We would like to thank Kate Barker for her considerable contribution to the work of the Monetary Policy Committee, and wish her well in the future.

6. The Chancellor announced the appointment of Dr Martin Weale on 5 July 2010.⁵ We took evidence from Dr Martin Weale on 14 September 2010. This evidence, for which we are most grateful, will be published shortly, together with Dr Weale's answers to our questionnaire and his curriculum vitae.

Background on Dr Martin Weale

7. Dr Weale joins the Monetary Policy Committee from being the Director of the National Institute of Economic and Social Research (NIESR). Prior to his appointment at NIESR in 1995, he was a lecturer in Economics at the University of Cambridge and a Fellow of Clare College. It is his stated intention to seek permission to retain a role as a researcher at NIESR, though he has stopped all his involvement with NIESR's forecast and policy commentary upon the announcement of his appointment to the MPC. Dr Weale was a Houlton-Norman Fellow at the Bank of England from 1986 to 1987. Dr Weale received his Sc. D. in Economics from Cambridge University in 2006. Dr Weale has appeared before the Treasury Committee on numerous occasions during his time as Director of NIESR.

Our evidence

8. In oral evidence, we questioned Dr Weale about issues currently facing the UK and international economy, as well as about how he foresaw himself undertaking his role as an external Monetary Policy Committee member. Topics we questioned Dr Weale about included:

- The shape of the economic recovery;
- The outlook for the world economy;
- The role of the Financial Policy Committee;
- Quantitative easing;
- Household finances;
- The price and availability of credit;
- The outlook for the labour market;

⁵ HM Treasury press notice, Chancellor appoints Dr Martin Weale as external member of the Monetary Policy Committee, 5 July 2010

- The relationship between monetary and fiscal policy;
- The importance of inflation expectations;
- The recent performance of the Monetary Policy Committee in achieving the inflation target;
- His reasons for applying to join the Monetary Policy Committee;
- Weaknesses in the Monetary Policy framework;
- The objectives of the Monetary Policy Committee;
- The origins of the financial crisis; and
- His continuing roles at other organisations.

Conclusion

9. We are satisfied that Dr Martin Weale fulfils our two criteria for appointment to the Monetary Policy Committee of professional competence and personal independence. We wish him every success as a member of the MPC.

Formal Minutes

Tuesday 14 September 2010

Members present:

Mr Andrew Tyrie, in the Chair

Michael Fallon	Mr George Mudie
Mark Garnier	Jesse Norman
Stewart Hosie	David Rutley
Andrea Leadsom	Mr Chuka Umunna
Mr Andrew Love	

Draft Report (*Appointment of Dr Martin Weale to the Monetary Policy Committee of the Bank of England*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 9 read and agreed to.

Summary agreed to.

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

Ordered, That the Chair make the Report to the House.

[Adjourned till Wednesday 15 September at 10.15 am]

Witness

Tuesday 14 September 2010

Dr Martin Weale, external member of the Monetary Policy Committee, Bank of England

List of written evidence

Dr Martin Weale: Response to Treasury Committee Questionnaire

List of Reports from the Committee during the current Parliament

Session 2010–11

First Report

June 2010 Budget

HC 350
