



House of Commons
Treasury Committee

**Appointment to the
Monetary Policy
Committee of the Bank
of England of
Mr Richard Lambert**

**Eighth Report of
Session 2002–03**

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 the HM Treasury and its associated public bodies.

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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/treasury_committee_reports.cfm. A list of Reports of the Committee published in the present parliament is at the back of this volume.

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Appointment to the Monetary Policy Committee of the Bank of England of Mr Richard Lambert

Introduction

1. As indicated in our two earlier Monetary Policy Committee confirmation hearing reports of this Parliament,¹ our predecessors announced in October 1997² their intention to hold confirmation hearings to establish whether those nominated to the Monetary Policy Committee (MPC) of the Bank of England³ fulfilled specified criteria, namely demonstrable professional competence and personal independence of the Government. They believed that such hearings would not only encourage the Government to appoint people with the qualities required, but would also underline the independence, credibility and competence of the Bank, and involve Parliament more closely in an important process. In the event, provision for confirmation hearings was not written into the Bank of England Act 1998 and they were therefore held on a non-statutory basis. In a report in March 2001, the Committee concluded:⁴

“We think that confirmation hearings, even on a non-statutory basis, act as a stimulus to the Chancellor to choose candidates who are competent and independent. We also believe that our questionnaire and hearings provide essential information about the background of the appointees which is not otherwise readily available. Above all, the hearings underline the fact that MPC members are accountable to Parliament and to the public.”

2. In this Parliament, we therefore decided to continue the practice. We also decided to continue the practice of restricting questioning to the two criteria of professional competence and personal independence, and of asking each prospective member to complete a preliminary questionnaire.⁵

3. The term of office of Mr Chris Allsopp, an MPC member appointed in 2000, expired on 31 May 2003. The Chancellor of the Exchequer, who is responsible for the appointment of the external members of the MPC, has appointed Richard Lambert to succeed him with effect from 1 June 2003.⁶

¹ Fourth Report, Session 2001–02, HC 880 and Ninth Report, Session 2001–02, HC 1189.

² Accountability of the Bank of England (First Report, Session 1997–98, HC 282) paragraphs 46 and 48.

³ The MPC’s role is to set monetary policy so as to deliver price stability as defined by the Government’s inflation target, currently 2½% for RPIX (retail price inflation excluding mortgage interest payments), and subject to that, to support the Government’s economic policy, including its objectives for growth and employment (sections 11 and 12 of the Bank of England Act 1998 and see Official Report, 4 June 1998, col 329).

⁴ Ninth Report, Session 2000–01, HC 42, paragraph 52.

⁵ HC 811–II, Ev 1.

⁶ The term of office of Mr Steve Nickell, appointed at the same time as Mr Allsopp, also expired on 31 May. The Chancellor announced that he was to be reappointed to a second term, and we decided not to hold a further confirmation hearing in respect of the appointment.

Conclusions

4. We took evidence from Mr Lambert on 16 June. This evidence, for which we are most grateful, will be published shortly, together with his answers to our questionnaire and his CV.

5. 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 both representing that body to a wide range of audiences around the country, and in gathering views. We therefore questioned Mr Lambert about his general stance on interest rate decisions and his approach to such matters as deflation, imbalances in the economy, the exchange rate, and the inflation target. We have noted that Mr Lambert is not an economist but has experience instead in financial journalism and business.

6. We note that Mr Lambert is being remunerated until September 2003 by the Treasury and the Department for Trade and Industry for a study into Business-University Collaboration. We do not think this poses a question of conflict of interest in this case, but we do think the conjunction of appointments is unfortunate.

7. We also note that Mr Lambert was recruited on the basis of telephone conversations with Treasury officials. We suggest that it might be more appropriate to have a more formal system for appointments in future.

8. We are satisfied that Mr Lambert fulfils our criteria for appointment and appreciates the importance of clear and effective communication in discharging his role. We wish him every success in his new role as a member of the MPC.

Formal minutes

Monday 16 June 2003

Members present:

Mr John McFall, in the Chair

Mr Nigel Beard

Angela Eagle

Mr Michael Fallon

Norman Lamb

Dr Nick Palmer

Mr James Plaskitt

Mr David Ruffley

Mr Andrew Tyrie

The Committee deliberated.

Monetary Policy Committee appointments: Mr Richard Lambert, a member of the Monetary Policy Committee of the Bank of England, was examined.

The Committee further deliberated.

Draft Report [Appointment to the Monetary Policy Committee of the Bank of England of Mr Richard Lambert], proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 8 read and agreed to.

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

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

[Adjourned till Tuesday 17 June at Nine o'clock.]