



House of Commons
Treasury Committee

**The Monetary Policy
Committee of the Bank
of England:
appointment hearings
for Professor Tim
Besley and Dr Andrew
Sentance**

Eleventh Report of Session 2005–06

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 and its associated public bodies.

Current membership

Rt Hon John McFall MP (*Labour, West Dunbartonshire*) (Chairman)
Mr Colin Breed MP (*Liberal Democrat, South East Cornwall*)
Jim Cousins MP (*Labour, Newcastle upon Tyne Central*)
Angela Eagle MP (*Labour, Wallasey*)
Mr Michael Fallon MP (*Conservative, Sevenoaks*), (Chairman, Sub-Committee)
Mr David Gauke MP (*Conservative, South West Hertfordshire*)
Ms Sally Keeble MP (*Labour, Northampton North*)
Mr Andrew Love MP (*Labour, Edmonton*)
Kerry McCarthy MP (*Labour, Bristol East*)
Mr George Mudie MP (*Labour, Leeds East*)
Mr Brooks Newmark MP (*Conservative, Braintree*)
John Thurso MP (*Liberal Democrat, Caithness, Sutherland and Easter Ross*)
Mr Mark Todd MP (*Labour, South Derbyshire*)
Peter Viggers MP (*Conservative, Gosport*)

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 and Adam Wales (Committee Specialists), Lis McCracken (Committee Assistant), Michelle Edney (Secretary) and Tes Stranger (Senior Office Clerk).

Contacts

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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 both Professor Tim Besley and Dr Andrew Sentance on their appointment to the MPC. We are satisfied that both Professor Besley and Dr Sentance meet our criteria for appointment and wish them every success in their new roles.

1 Introduction

Background

1. In our First Report of the current Session, we indicated our intention to continue with the practice of holding hearings and issuing short 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 Professor Tim Besley and Dr Andrew Sentance for their roles as members of the MPC. We have not considered the appropriateness of the current appointment process for members of the MPC. We have also not commented on the overall composition of the MPC. We have previously indicated that we may return to these topics at an appropriate time,³ which we expect to be in the course of 2007.

4. We took evidence from both Professor Tim Besley and Dr Andrew Sentance on 12 October 2006. This evidence, for which we are most grateful, will be published shortly, together with their answers to our questionnaire and their CVs.

Current vacancies

5. The current vacancies on the Monetary Policy Committee arose from the appointment of Richard Lambert as Director General of the Confederation of British Industry, and the untimely death of David Walton.

6. We would like to thank Richard Lambert for his contribution to the work of the MPC, and wish him every success in his new role.

7. David Walton had served as Specialist Adviser to the Treasury Committee in the last Parliament and was making his mark as a thoughtful and independent member of the MPC. It was with great sadness that we learnt of his death. His passing has deprived the MPC and British public life of a great economist.

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

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

3 Treasury Committee, Third Report of Session 2005–06, *The Monetary Policy Committee of the Bank of England: appointment hearing for Sir John Gieve*, HC 861, para 3

2 Professor Tim Besley

Background on Professor Tim Besley

8. Since July 1995, Professor Besley's main position has been Professor of Economics and Political Science at the London School of Economics. Before this, he was Assistant Professor of Economics and International Affairs at Princeton University. He was joint winner of the Yrjö Jahnsson award in 2005, which is bestowed upon "a young European economist who has made a contribution in theoretical and applied research that is significant to economics in Europe".⁴ Professor Besley also maintains editorial input into numerous journals, and has authored a wide variety of papers himself, concentrating on areas such as development economics and public economics. Professor Besley is a British citizen, and holds a D. Phil from Oxford University.

Role as member of the MPC

9. 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.

10. We therefore questioned Professor Besley on his approach to matters such as the rise in personal insolvencies, and inflation expectations and on aspects of economic research he had already undertaken. We look forward to hearing more of his views in his future appearances before the Committee.

Assessment of personal independence and professional competence

11. We are satisfied that Professor Besley fulfils our criteria for appointment and wish him every success in his new role as a member of the MPC.

3 Dr Andrew Sentance

Background on Dr Andrew Sentance

12. Before his appointment, Dr Sentance was Chief Economist and Head of Environmental Affairs at British Airways Plc. Before that, he was Director of the Centre for Economic Forecasting at the London Business School. He is a visiting Professor at Royal Holloway and the University of Cranfield. Dr Sentance is also a fellow of the Society of Business Economists, where he was also Chairman from 1995 to 2000. Between 1992 and 1993, Dr Sentance was a member of the Treasury Panel of Independent Forecasters, sometimes referred to as the ‘seven wise men’. Dr Sentance has also published numerous articles, especially concentrating in recent times on aviation economics. Dr Sentance holds both a PhD and MSc in economics from the London School of Economics.

Role as member of the MPC

13. 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.

14. Taking into account his previous experience, we questioned Dr Sentance on business investment, aspects of the labour market and how businesses have dealt with the recent movements in the oil price. We welcome the appointment of an additional economist with business experience to the MPC.

Assessment of personal independence and professional competence

15. We are satisfied that Dr Sentance fulfils our criteria for appointment and wish him every success in his new role as a member of the MPC.

Formal minutes

Thursday 12 October 2006

Members present:

Mr John McFall, in the Chair

Angela Eagle

Mr Michael Fallon

Mr David Gauke

Mr Andrew Love

Kerry McCarthy

Mr Brooks Newmark

Mr Mark Todd

The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance

The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance: Professor Tim Besley gave oral evidence.

The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance: Dr Andrew Sentance gave oral evidence.

The Committee considered this matter.

Draft Report (The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 9 read and agreed to.

Paragraphs 10 and 11 read, amended and agreed to.

Paragraphs 12 and 13 read and agreed to.

Paragraphs 14 and 15 read, amended and agreed to.

Summary read, amended and agreed to.

Resolved, That the Report, as amended, be the Eleventh Report of the Committee to the House

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

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

[Adjourned till Tuesday 17 October at 9.45 a.m.]

List of witnesses

Thursday 12 October 2006

Professor Tim Besley, Monetary Policy Committee member

Dr Andrew Sentance, Monetary Policy Committee member

List of written evidence

- 1 Professor Tim Besley's completed Treasury Select Committee questionnaire
- 2 Professor Tim Besley's curriculum vitae
- 3 Dr Andrew Sentance's completed Treasury Select Committee questionnaire
- 4 Dr Andrew Sentance's curriculum vitae

List of Reports from the Treasury Committee during the current Parliament

Session 2005–06		Report
First Report	The Monetary Policy Committee of the Bank of England: appointment hearing	HC 525
Second Report	The 2005 Pre-Budget Report	HC 739
Third Report	The Monetary Policy Committee of the Bank of England: appointment hearing for Sir John Gieve	HC 861
Fourth Report	The 2006 Budget	HC 994
Fifth Report	The design of a National Pension Saving Scheme	HC 1074
Sixth Report	The administration of tax credits	HC 811
Seventh Report	European financial services regulation	HC 778
Eighth Report	Bank of England Monetary Policy Committee: appointment hearing for Professor David Blanchflower	HC 1121
Ninth Report	Globalisation: the role of the IMF	HC 875
Tenth Report	Independence for statistics	HC 1111