House of Commons

Treasury Committee

The Monetary Policy Committee of the Bank of England: re-appointment hearing for Ms Kate Barker and Mr Charlie Bean

Seventh Report of Session 2006–07

Volume II

Oral and written evidence

Ordered by The House of Commons to be printed 28 June 2007

HC 569-II
Published on 22 August 2007
by authority of the House of Commons
London: The Stationery Office Limited
£6·50

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 Graham Brady MP (*Conservative, Altrincham and Sale West)*
Mr Colin Breed MP (*Liberal Democrat, South East Cornwall*)
Jim Cousins MP (*Labour, Newcastle upon Tyne Central*)
Mr Philip Dunne *(Conservative, Ludlow)*
Angela Eagle MP (*Labour, Wallasey*)
Mr Michael Fallon MP (*Conservative, Sevenoaks*) (Chairman, Sub-Committee)
Ms Sally Keeble MP (*Labour, Northampton North*)
Mr Andrew Love MP (*Labour, Edmonton*)
Mr George Mudie MP (*Labour, Leeds East*)
Mr Siôn Simon MP, (*Labour, Birmingham, Erdington*)
John Thurso MP (*Liberal Democrat, Caithness, Sutherland and Easter Ross*)
Mr Mark Todd MP (*Labour, South Derbyshire*)
Peter Viggers MP (*Conservative, Gosport*)

The following members were also members of the Committee during the inquiry: Mr David Gauke MP (*Conservative, South West Hertfordshire*), and Mr Brooks Newmark MP (*Conservative, Braintree*)

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.

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) are on the Internet at www.parliament.uk/parliamentary_committees/treasury_committee/treasury_committee_reports.cfm.
A list of Reports of the Committee in the last 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), Adam Wales, Jon Young, Harry Marin and Anna Leach (Committee Specialists), Lis McCracken (Committee Assistant), Michelle Edney (Secretary), Tes Stranger (Senior Office Clerk) and Laura Humble (Media Officer).

Contacts

All correspondence should be addressed to the Clerks of the Treasury Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5769; the Committee's email address is treascom@parliament.uk

Witnesses

List of written evidence

Oral evidence

Taken before the Treasury Committee

on Thursday 28 June 2007

Members present

John McFall, in the Chair

Jim Cousins
Angela Eagle
Mr Michael Fallon
Ms Sally Keeble
Mr Andrew Love
Mr Siôn Simon
John Thurso
Mr Mark Todd
Peter Viggers

Witnesses: **Ms Kate Barker,** External Member of the Monetary Policy Committee and **Mr Charlie Bean,** Executive Director and Chief Economist, Bank of England, gave evidence.

Q1 Chairman: Good morning and welcome to the Committee. Could you introduce yourselves for the shorthandwriter, please?
Mr Bean: I am Charlie Bean, Chief Economist and Executive Director for Monetary Analysis.
Ms Barker: Kate Barker, External Member of the Monetary Policy Committee.

Q2 Chairman: Kate, you have been appointed for an unprecedented third term so you are very familiar with the Bank, its staff and its attitudes. Are you in danger of losing some of your independence from the Bank, your separateness?
Ms Barker: I should firstly say that it was a surprise to me to be asked to stay on for a third term and it was not a decision that I took necessarily immediately. One of the questions I asked myself was whether or not I felt that was a risk but in fact, partly because the external members are geographically in the Bank somewhat removed and we have our own staff, we are not involved in day to day management of the Bank, on the whole—as I said in my evidence last time I came—I do not feel like a long-term Bank employee. I still do not, partly because I do other work outside the Bank. I have been able to retain independence; I have not felt I have become part of the Bank machine.

Q3 Chairman: Charlie, the Annual Report suggests that the Bank is seeking a more experienced monetary analysis team. How do you intend to achieve this? Is a lack of experience at the moment leading to any problems?
Mr Bean: We have a general strategy as regards the staff, if you like, being leaner but smarter, so a somewhat smaller but more experienced staff. The Monetary Analysis area of the Bank grew quite rapidly in the period after independence, not surprisingly, as the Bank was gearing up, with the result that we had relatively inexperienced people in quite a number of jobs and what we wanted to do was build experience levels. It should be said that exit rates from not just Monetary Analysis but the analytical areas of the Bank in general have risen over the last couple of years reflecting the hiring that is taking place in the City. We have been losing some people I would have preferred to keep. We have been thinking of ways to try to improve retention. One of the issues for us obviously, being a relatively small organisation, is that we only offer a limited number of career possibilities within the Bank so we are trying to develop our secondment programme both within the UK and abroad, to try to give people more attractive career paths that will encourage them to stay at the Bank long term. It is a challenge for us, no doubt.

Q4 Peter Viggers: The Monetary Policy Committee members appear before this Committee—and of course there are formal and informal briefings with journalists—and it has been suggested to us—specifically BNP Parisbas suggested to us in its written evidence—that it would be helpful to have structured discussions between members of the Monetary Policy Committee and economists so that economists can probe on some of the more difficult questions. Do you think that is a useful idea?
Mr Bean: There is some contact already between City economists and staff members. Often when *Inflation Reports* are published, City economists will ring up members of my staff to say that they did not understand this argument or whatever and we try to help them there. The question of whether we could do some general regular thing for City economists is, I think, one that is worth considering. An issue that we would have to address would be to make sure there is a level playing field. You cannot just have a subset; you would have to make it in principle accessible to all. It is something that we have actually been thinking about, whether we should do something along those lines, so watch this space.

Q5 Peter Viggers: Kate Barker, you have special experience to enable you to comment on the appointment of Monetary Policy Committee members. Do you think three years renewable is the right term in practice?
Ms Barker: As a matter of fact I was attracted in reading through the evidence to the proposition put forward by Steve Nickell that Monetary Policy

Committee members should be appointed for longer periods and serve a minimum of three years with the option then of leaving at some point during the rest of that term, so they could be appointed for six years but have the option to leave earlier without, as it were, hard feelings on either side, partly because that would give people some added flexibility. I feel that three year terms are not very long actually because certainly in the first few months there is a lot to get to grips with. You come into your own as a member after that period so if you have continually got new people in some ways that is a good thing but to have too many new people is a bit of a downside. While three year terms are a little bit short, academics feel it is difficult for them to get leave from their universities for longer than three years and I think it would pose a real difficulty if you were to say that everybody has to come for longer than three years. A lot of care, I think, would have to be taken about considering the different backgrounds for different people before the terms are changed.

Q6 Mr Todd: A lot of your time has been spent on doing the two reviews which Gordon Brown commissioned on land use and housing supply. Has that had an impact on your work on the MPC?
Ms Barker: When you say "a lot of time" I want to be careful to say that I have been at enormous pains to make sure that I have not neglected my work on the MPC while I have been doing those reviews. I have kept up a full programme of regional visits, speeches, obviously attendance at all the meetings. It was always clear that an MPC meeting would take priority over something that came up in the housing and planning sphere so I did do the three days a week that I am contracted to do for the MPC absolutely fully in that time.

Q7 Mr Todd: You were asked a question about your longevity of stay perhaps making you over-familiar with the processes of the Bank. There is an argument for saying that in perception terms your carrying out work on behalf of the Chancellor might make people feel that you were not entirely independent in your function on the MPC. Is that something that gave you any cause for concern?
Ms Barker: I certainly thought about it but I cannot say it gave me any cause for concern. I have never had any conversations while I have been in the Treasury—to start with it is a different part of the Treasury—with anyone from the Treasury on current monetary policy. We never have any such contact with the Treasury. I would like to point out that it was not just Treasury, it was also the Department of Communities and Local Government and I spent a lot of time there. I do not feel any difference in my independence in taking decisions on monetary policy because of that work than I felt before.

Q8 Mr Todd: Since you are undoubtedly the person on the MPC who specialises in the housing market or knows more about it because of the work that you have done, what do you feel the current outlook is?
Ms Barker: There are a number of slightly mixed signals in the housing market. Further back in the chain, as it were—the numbers of people looking round houses, the early signs—there has been a little bit of weakening. However, house prices themselves have not weakened off much. Price inflation fell a bit around the turn of the year but the rate of increase in house prices through this year has been relatively stable. It is very different, however, in different regions. We observed in the last minutes that the house price increases are rising at the moment particularly strongly in London; Northern Ireland has seen some very strong price rises. There are other regions of the country where things are a little bit softer. In more general terms my feeling is that what has continued to drive the housing market is the fact that on the whole interest rates remain relatively low but as we move through this year we start to see re-financing of mortgages and the pressure that will put on consumer income, it is possible that we will see the housing market weaken.

Q9 Mr Todd: The labour market uncertainty tends to produce an impact in the housing market as well and there is some sign of weakening.
Ms Barker: Yes, although I have to say the weakening in the labour market is very slight. I would not have thought it would be such that we would see a very large adjustment in the housing market. There are other factors driving the housing market at the moment, in particular of course the influence of buy to let. This is a new factor and it is difficult for us to see how that will play out.

Q10 Mr Love: Both of you now have some experience on the Monetary Policy Committee so I would like to ask you from your different experiences two questions. First of all, in relation to the terms on which you are employed by the Monetary Policy Committee, are they appropriate or should there be differences? I am thinking about the support you receive to carry out your work. Secondly, the balance on the Committee between academics and practitioners, between hawks and doves, have they got the balance right? Are there all the skills necessary on the Monetary Policy Committee? Kate, could I start with you as you have more experience than others?
Ms Barker: In terms of the skills balance at the moment we have people with market experience, academic experience, business experience. Of course people have had long term experience with the Bank and the financial stability side. My sense is that we have a very fair range of experience on the Committee; I do not feel that there are questions that come up where we are lacking in experience. It is always quite difficult, there is always something you miss when somebody goes from the Committee but the new person generally brings something else.

Q11 Mr Love: How about any support you receive? Is there enough to ensure that appointed members have an equal say in the way that the Monetary Policy Committee operates?

28 June 2007 Ms Kate Barker and Mr Charlie Bean

Ms Barker: There are two questions there really. I suppose you are asking about the part-time nature of the appointment. Firstly I think three days a week is adequate to do the job. I think less than that would be quite difficult but with more than that it would not be so easy to fill the time. I think three days a week is right. The whole time I have been on the Committee I have had two personal support staff in the Bank; they have always been people of quality and I have always felt very well supported by them. It is also true that during the time I have been there, the six years, the relationship between the internal and external members has very much improved.

Q12 Mr Love: How about you, Charlie?

Mr Bean: I think one thing that is worth emphasising is that the staff of the Bank work to the Monetary Policy Committee as a whole and not specifically to me. In that sense, the externals are getting support from across the Bank. In addition they each have two people dedicated to support their own personal interests and priorities. In terms of whether three days is enough for the externals, I would say that as an internal I spend considerably less than that on monetary policy. About three quarters of my time is spent doing essentially management. I have 250-plus people I am responsible for and inevitably there is a lot of management activity that goes with that. I am part of the Bank Executive and there is a lot of Bank management that goes with that, too.

Q13 Mr Love: Does some wash over into your role in monetary policy? You do not think your management responsibilities are taking you away from the essential work you need to do on monetary policy.

Mr Bean: The management activities are essential too; it is running the operation that supports the Monetary Policy Committee. It is illustrative of the fact that you do not need five days a week, 52 weeks a year to do monetary policy. It is actually quite difficult to fill all your time purely on that. As an internal member I would take the view that three days a week for externals is probably about right.

Q14 Peter Viggers: With your responsibility for statistics do you think that the Bank of England's comments about the move of the Office of National Statistics are being listened to and taken account of?

Mr Bean: The one thing we wanted to flag both in our regular annual letter under the Service Level Agreement that we have with the ONS and also the evidence that we supplied to this Committee (and that is very similar to the content of the letter that we have already sent to the ONS) was that there were inevitably risks associated with a shift of activities from London to Newport. Equally it should be said that there would be risks if you were shifting activities from Newport to London. It is the sheer fact that there is change taking place that generates risks. At the end of the day it is up to the ONS to manage those risks and recognise that they are there, which I think they have done. They are acutely aware that we have needs—national accounts, wages, prices and so forth—but nevertheless it will be a challenge for the ONS to make sure that the risks are minimised during the change process.

Q15 Chairman: Could I finally ask both of you, what will you bring to the job in the next term that you are serving? How will you relate your work to the Treasury Select Committee more.

Mr Bean: That is quite a tricky question because in some sense in terms of what I will be doing on the MPC it is more of the same. Obviously there are areas within our operations that we have identified that we want to tweak how we operate. So we are going through some internal change processes at the moment in the way we operate the forecast, for instance, and also looking at the way we communicate. There is always evolution taking place there. In terms of how we liaise with you and communicate with you, for my part I would be very happy to follow any particular lead that you want to take us down.

Ms Barker: My answer would be exactly the same in terms of what I bring being more of the same. In terms of how I relate to you, I understand that you are going to ask us more individually about why we voted over the last few months. I have to say that I welcome that; I think that is a very good way to ensure that the accountability is there.

Q16 Chairman: Maybe something in writing.

Ms Barker: If that is what you want, that is absolutely fine, but there may be other thoughts that you have about briefing meetings.

Q17 Chairman: Kate, just a final question, an article in *The Times* at the end of May speculated potential candidates for a chairman of the Football Association. Your name was in that. First of all, have you got the job? Secondly, could you fit it around your present commitments?

Ms Barker: The answers to those questions are "No" and "No".

Chairman: That is a pity; I thought you would be a good source for tickets! Can I thank both of you very much. You have served on the Monetary Policy Committee in the past with distinction. Your relationship with this Committee has been good and on behalf of my colleagues can I congratulate you and wish you well in your new terms. Thank you very much.

Written evidence

Treasury Committee questionnaire, completed by Kate Barker before the appointment hearing

Monetary Policy Framework and Individual Role

1. *What contributions have you made individually to the conduct of monetary policy on the MPC? What lessons have you learned from your period as a member?*

In the answers to the questionnaire completed when I joined the MPC, I commented that the main criterion for judging the record of any MPC member is whether or not the Committee as a whole has been successful in meeting its policy objective. I would certainly argue that that has been the case; despite a number of shocks to the UK economy over the past six years (such as the fall in equity prices post the internet boom and the rise in oil prices since 2004).

Further criteria I suggested included ensuring that the MPC took account of the full range of data. In this context, I have supported the increasing use of business survey data alongside official data to ensure that we are benefiting from as rich a data set as possible.

I have also given a number of on the record speeches—covering a range of topics relevant to current monetary policy. In particular these have included:

— how policy could or should take into account financial imbalances in the economy;

— the economic consequences of the rapid emergence of China into the world economy;

— the contrast between greater macroeconomic stability over the past decade and some increase in volatility of sales and profits for individual firms; and

— reflections on the circumstances in which it would be appropriate to make monetary policy changes gradually, and comments on the actual behaviour of the MPC in this respect.

In terms of lessons learned, the MPC as a whole has of course developed its thinking on a number of issues over the past six years. Particular areas where my own thinking has been altered include:

— Bank staff analysis has improved my understanding of the uncertainties of early ONS data estimates, and I am now more cautious about placing weight on the latest data.

— While this is not a novel reflection, I have become more conscious of the importance of looking for early signs of changing economic relationships. Examples where this has occurred would include the reduced response of household spending to house price changes, and the modest response of nominal wage settlements over the recent past to fluctuations in inflation.

— The apparent changes in the behaviour of wage and price setters, as monetary policy has become more credible, has led me to focus more attention on inflation expectations.

— In my early months on the MPC I was inclined to argue in favour of giving firmer indications about the future path of interest rates. The necessity of being flexible in responding to a domestic economy, and an external environment, which rarely develop exactly as projected has led me to reconsider this view. However, I strongly support the Governor's recent proposal that the MPC should seek to give more information about likely future responses should particular risks crystallise.

2. *What contributions have you made to explaining the work of the MPC and enhancing public confidence in its actions over the last three years?*

Over the past three years I have given five on the record speeches and 18 off the record talks (including three to sixth form students). This excludes 11 inflation report briefings given on regional visits, and the numerous informal talks to groups of business people and others on regional visits, of which I have made 22. In general I have tried to respond positively to every invitation to talk about the work of the MPC, and have actively sought out some opportunities.

In addition I have given two national newspaper interviews, and a number of regional press and radio interviews.

I would hope that the above has been part of enhancing public confidence; however the most important aspect of this is clearly the MPC's collective actions and communications. All members play a full role in considering how our communications, especially the minutes and the *Inflation Report* could be improved.

3. *In what ways have the two reviews you have conducted into UK housing supply and on land use planning contributed to your work on the MPC?*

The first independent review on housing supply involved analysis of both the housing and land markets which has been very helpful background information to the regular discussions on the housing market within the MPC. I also gained a useful understanding of the housebuilding industry, its structure, pressures and skills requirements.

The review of land use planning was of less relevance to the MPC work—apart from establishing a number of useful contacts in the construction industry.

4. *What other work commitments do you maintain in addition to membership of the MPC, and how do those benefit your work on the MPC?*

The only other remunerated work commitment which I have at present is on the board of the Housing Corporation, to which I was appointed in October 2005. This supports a continued understanding of trends in the housing market.

I have a number of unremunerated activities. However, only one is a significant time commitment, which is that I am just taking over as Chairman of Governors at Anglia Ruskin University. It is of no particular benefit to my work on the MPC.

All my additional commitments, remunerated or otherwise, are approved by the Governor and the Chancellor.

Interest Rate Decisions and Monetary Policy

5. *Of the votes that you have cast in the MPC over the last three years, are there any which with the benefit of hindsight you wish you had cast differently?*

The most important point to make in reply to this question, looking back over the past three years, is that it seems clear that monetary policy has overall continued to do a good job of keeping inflation low and stable, and there are no indications in inflation expectations, of a loss of credibility. Given this record, and my part in it, there is no vote which I strongly feel ought to have been different.

Of course, events have not always developed in line with my expectations. For example, if I had foreseen the continued upward pressure on inflation from energy and food prices over the past year or so, and therefore the likelihood of several months with inflation markedly above target, it is possible that I would have voted to raise interest rates a little earlier in 2006. However, this would only have been a marginal difference—it has always been clear that the MPC does not seek to keep inflation exactly at the target month by month.

6. *Over the next three years, what are the major risks you foresee to the MPC meeting the inflation target?*

Answering this question literally runs the risk of giving a hostage to fortune, as over such a long period it is very likely that some unforeseen event will occur which has a significant impact on UK inflation. The key risks which are at present of concern to me are:

— A marked loss of credibility in UK monetary policy, indicated by a significant move upward in inflation expectations. There is no evidence that this has occurred as yet, either from financial market inflation expectations (although these have drifted up a little over the past 18 months or so) or from surveys of the general public's inflation expectations. However, while there are no good measures of general inflation expectations for price-setters, surveys of companies' pricing intentions have shifted up recently, particularly in the manufacturing sector.

— An abrupt shift in the perception of risk in financial markets (see answer below) which could result in a marked increase in real long-term interest rates, linked to falls in bond, equity and house prices.

— Continued import inflation at a higher, and also more volatile rate, than over the early years of the decade, especially from raw materials.

The first and third of these underpinned my view that there was an upside risk to the central projection for CPI inflation in the May 2007 *Inflation Report*.

7. *How far do you think there has been an under-pricing of risk within UK financial markets?*

The first point to make here is that it is not at all easy to get clear indications from financial market data of precisely how risk is priced. However, the big picture of the recent past is that the fall in macroeconomic volatility in major developed economies has been associated with falling volatility in financial markets. This has led to financial market participants seeking to improve yield by adding potentially riskier elements to their portfolios, and this has driven down spreads on some riskier assets.

How far this represents an under-pricing of risk is hard to assess. Firstly, it is arguable that the changes in the operation of fiscal and monetary policies in several countries have genuinely contributed to greater economic stability. Secondly, some financial institutions are now distributing their risks more widely among end investors, so that there is less concentration of risk.

However, a counter-argument would be that there has been no major shock to the world economy, or a major country-specific shock in the UK, which would fully test the robustness of policy and the resilience of the financial system. (Although of course a number of shocks have been weathered over recent years, for example the large falls in equity markets around 2000-02 and the rise in oil prices since 2004). Nevertheless, there must be a possibility that risk has been under-priced, and therefore, as discussed in the Bank's latest *Financial Stability Report,* this is a vulnerability in the UK financial system.

8. *When considering the UK economy, how much emphasis do you place on the international economic environment? For example, how sustainable is the current (UK) trade deficit in your opinion?*

The international economy clearly plays a major role in my consideration of the economic outlook both in the monthly round and the quarterly forecast. In particular it impacts on export demand, where prospects for the euro area are of most importance. In addition, import prices generally can affect short-term inflation prospects, unless the exchange rate adjusts to compensate for the difference between UK and foreign goods and services prices. Movements in the effective exchange rate, which are in part driven by factors external to the UK, will also impact on relative prices, and on the balance of demand and supply and therefore inflation prospects.

Turning to the sustainability of the UK's trade deficit, it is probably more appropriate to focus on broader measures of the UK's external balances. The table below sets out some key facts:

Table One

UK CURRENT ACCOUNT BALANCE COMPONENTS

	Goods Trade	*Services Trade*	*Net Income Flow*	*Current Transfers*	*Current Account*
1990–94	−2.2	0.9	−0.1	−0.7	−2.1
1995–99	−2.1	1.5	0.5	−0.8	−1.0
2000–04	−4.3	1.7	1.7	−0.9	−1.9
2002	−4.5	1.6	2.2	−0.9	−1.6
2003	−4.4	1.7	2.2	−0.9	−1.3
2004	−5.2	2.2	2.3	−0.9	−1.6
2005	−5.6	2.0	2.2	−1.0	−2.4
2006	−6.5	2.3	1.8	−0.9	−3.4

All variables are expressed as % of GDP
Source: ONS

Broadly, the situation is that the UK is now running a large deficit on goods trade compared with historical experience, although trade in services remains in surplus. Over the past few years, the resulting trade deficit has been partly offset by a surplus in net income flows (the difference between the return on assets held abroad by UK residents, and the return on UK assets held by foreigners). The source of this surplus is to some extent uncertain. Official data suggest that the UK has an overall net debt position, but some of the UK assets and liabilities, especially for foreign direct investment (FDI) are included in this data at book value. Some estimates suggest that, if the stocks of FDI are correctly revalued, the UK is in fact still an overall net creditor.[1] In addition, it may be that the UK earns higher yields on its assets held abroad than the yield paid on the assets held by foreigners in the UK, partly because the latter tend to be lower-risk assets. These net income flows in any case fell back a little in 2006, possibly reflecting the strengthening of sterling during the year.

The implication of these net income flows is that the current account deficit may be sustainable at around the level of the last few years for some time, although over time the probable gap between UK foreign assets and liabilities would close. And there is a risk that the higher returns on UK assets abroad will not prove durable. So at some point an adjustment to bring the current account back towards balance is to be expected, and will probably entail a depreciation of sterling. The size and timing of this are highly uncertain, and so it does not affect my judgement on the appropriate level of Bank Rate at present.

[1] This is discussed in Whitaker, S "The UK's international investment position" *Bank of England Quarterly Bulletin* 2006 Volume 46, no 3.

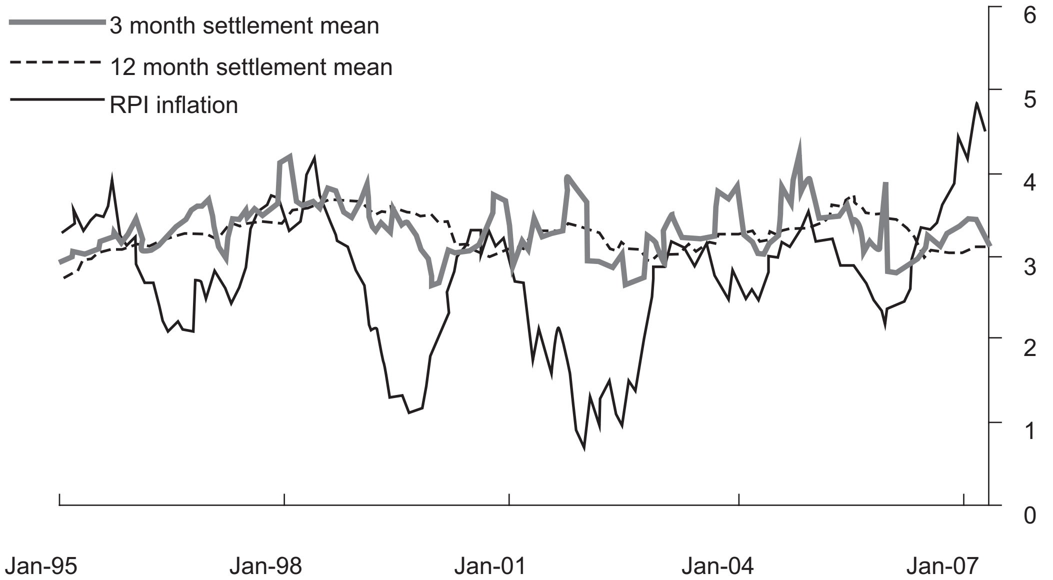
9. *How important do you think the official measures of inflation are in the wage-setting process in the United Kingdom?*

There is strong anecdotal evidence from discussions with firms and with union representatives that the Retail Price Index (RPI) will be cited in wage negotiations. This is not surprising, as it is the longest-established and most familiar measure of inflation. However, this does not of course mean that movements in the RPI translate one-to-one into changes in the growth rate of pay settlements. The chart below shows RPI inflation and two measures of settlements: the three-month settlement mean, and the twelve-month settlement mean. Visually it suggests a weak positive relationship between movements in the RPI and settlements.

Chart One

SETTLEMENTS AND RPI INFLATION

Percentage change on year earlier



Recent work at the Bank has looked at how far different measures of inflation are correlated with different earnings measures. The broad conclusion is that, post-1995, there has been a weak positive correlation between settlements and RPI, no correlation between the overall average earnings index and RPI, and modest negative correlation between the CPI and the different earnings measures. So the role of RPI should not be overstated, as other factors, such as the competitive environment and the overall labour market situation will also play a role in determining settlements.

Does it matter that the RPI has a rather stronger relationship with earnings than our target measure? Firstly, over longer periods the gap between RPI and CPI is likely to prove reasonably steady, so there will not be any long-term consistency issue. However, it does mean that the MPC needs to be aware, as we are, of the RPI/settlements link, and factor this into our forecasting and policy-setting.

Secondly, it is perhaps worth reiterating that, over the long-term, nominal wages would reflect a combination of some measure of 'true' inflation and productivity. The change in the target measure is estimated to have had only a small impact on the true long-term inflation rate (of around 0.25 percentage points). So it should not be expected to have a significant impact on nominal wage growth.

June 2007

Kate Barker's Cirriculum Vitae

Date of Birth: 29 November 1957
Nationality: British

Education:

1974–76 Stoke-on-Trent Sixth Form College

1976–79 St Hilda's College, Oxford (BA First Class Honours: Philosophy, Politics and Economics)

Career:

1979–81: Investment Analyst, Post Office Pension Fund (now HERMES)

1981–85: Research Officer, National Institute of Economic and Social Research

1985–94: Chief Economist, Ford of Europe

1994–2001: Chief Economic Adviser, Confederation of British Industry

2001 to date: Member, Monetary Policy Committee, Bank of England

Other appointments:

Member of Royal Economic Society Council 1994–99

Member of Chancellor Clarke's Panel of Independent Economic Advisers 1996–97

Member of Institute for Public Policy Research (IPPR) Commission on Public Private Partnerships 1999–2001

Non-executive Director, Yorkshire Building Society (1999–April 2001)

Member of Board of Governors, Anglia Ruskin University (since 1999); Chair of Governors from July 2007

Chair, Financial Advisory Committee, Football Association (since 2003)

Appointed (by Government) in April 2003 to lead independent Review of UK Housing Supply (final report published March 2004), and December 2005 to lead independent Review of Land Use Planning (final report published December 2006)

Treasury Committee questionnaire, completed by Charlie Bean before the appointment hearing

Monetary Policy Framework and Individual Role

1. *What contributions have you made individually to the conduct of monetary policy on the MPC? What lessons have you learned from your period as a member of the MPC?*

As Chief Economist, I have responsibility for oversight of all the analytical and statistical material provided by the Bank staff to the MPC each month and in the quarterly forecast round leading up to the publication of the *Inflation Report*. MPC assesses the quality of this support along a variety of dimensions on an annual basis; the most recent survey continues to suggest that MPC members are generally pretty satisfied with the service they get from the staff. I am also responsible for leading the discussion on the Wednesday afternoon half of the MPC meeting, which focuses on the latest data and what we make of it. It is for others on the Committee to judge how effectively I have discharged that responsibility.

It would take a (long) book to recount everything that I have learnt about the economy and about the making of monetary policy in my six-plus years on the Committee. I have become even more aware of the limitations of the data than I was before I joined the Committee and been impressed at the additional value of the intelligence gained through the Agency network (which I admit to having been somewhat doubtful about at the outset). From an economic perspective, the changing nature of the inflation process associated with some mix of globalization, migration and the anchoring of inflation expectations through better monetary policy has been an important topic of debate, and about which I have learnt much from both the staff and my colleagues on the Committee. From a policy-making perspective, I would highlight the value of a robust yet open-minded debate, where each MPC member brings something different to the discussion; the Committee really is more than the sum of its parts.

2. *What contributions have you made to explaining the work of the MPC and enhancing public confidence in its actions over the last three years?*

Aside from my appearances before the Treasury Committee, since the beginning of 2004 I have made:

— 24 regional visits through our Agency network;

— 16 presentations of the *Inflation Report* (generally to business audiences);

— 15 presentations on what the MPC does (to a variety of audiences);

— 9 public speeches on a variety of economic issues (including: the conjuncture; globalization and inflation; demographic change and monetary policy; monetary policy making under uncertainty; and asset prices and monetary policy); and

— participated in 14 *Inflation Report* press conferences.

In addition, as Chief Economist, I have responsibility for overseeing the preparation of the *Inflation Report* each quarter, including the drafting of the Overview, as well as for the preparation of other public documents (such as the Bank's submission to the Treasury Committee's "MPC Ten Years On" enquiry). I also oversee the preparation of the Bank's *Quarterly Bulletin*, which contains articles by the Bank staff relating to monetary policy, as well as the Bank's *Working Paper* series, which comprises more technical pieces intended for an academic or specialist audience.

3. *As Chief Economist, what are your research priorities for the next three years?*

MPC collectively sets the Bank's research priorities for the year ahead at the start of each year. I then have responsibility for ensuring that Bank staff undertake a research program that meets those priorities. Current broad research themes include:

— The causes and potential durability of the "Great Stability" in inflation and output seen in the UK and many other developed economies over the past 15 years.

— Understanding the impact of globalisation and inward migration on the dynamics of wages and prices.

— Improving our assessment of potential output, particularly in regard to the measurement of capital.

— Developing tools to help the Committee think about and analyse different policy strategies for achieving the inflation target.

— Improving our understanding of the links between (domestic and global) liquidity and asset prices and demand.

— Gaining a better understanding of the role of debt in the monetary transmission mechanism.

— Improving our ability to extract information from asset price movements.

— Developing a better understanding of the international transmission of shocks and the pattern of global current account imbalances.

Within each of these themes, there are typically a number of individual research projects. I have particular personal interests in understanding the causes of the changing dynamics of wages and prices, and in questions of policy strategy design.

4. *As Chief Economist, how do you ensure that the research undertaken by the Bank is of relevance to a wide audience, including both City economists, and the public?*

I believe that the appropriate criterion by which Bank research should be judged is whether it furthers the pursuit of the Bank's two Core Purposes (achieving monetary stability via the inflation target; and maintaining the stability of the UK financial system). Of course, there are many other topics that may be of interest to City economists and the public that warrant serious research. But I do not see it as the Bank's role to undertake such research, if it is not relevant to achieving our Core Purposes.

As already noted, MPC agrees the Bank's research priorities for monetary policy purposes on an annual basis. My job is then to deliver a research program that meets those priorities within the constraints of the overall budget for Monetary Analysis agreed by Court. There are internal processes for managing individual projects so that they represent value for money and MPC assesses the effectiveness of the research program on an annual basis.

5. *Is there more that can be done to explain the Bank of England Quarterly model's findings?*

The Bank's primary model (BEQM) aims to be an embodiment of best-practice thinking about the behaviour of households and businesses, broadly replicating the way MPC members think about the economy, and is calibrated on the basis of existing empirical evidence. It does not seek to push the research frontier out and in that sense does not contain distinctively new findings. But by publishing a book on the model, we hope that we have made it accessible to at least the modelling fraternity that have an interest in such things.

It is worth emphasising that BEQM—or more accurately the suite of models, of which BEQM is just one—are more of a crutch to aid the MPC's thinking about key economic issues, rather than a mechanical device for generating a forecast. A large amount of judgement is applied in constructing projections each quarter. Hence, it would be a mistake to believe that hands-on access to the model would allow an outsider simply to replicate the MPC's projections. Moreover, BEQM's structure is sufficiently complex that non-expert users would find considerable difficulty in operating it.

Interest Rate Decisions and Economic Policy

6. *Of the votes that you have cast in the MPC over the last three years, are there any which, with the benefit of hindsight, you wish you had cast differently?*

With the luxury of hindsight, probably quite a few of my votes would have been different. Unfortunately, policy decisions have to be taken in real time without the luxury of knowing either exactly what is going on in the economy at that moment or what shocks will hit it in the future; all one can do is form a judgement on the basis of the evidence available at the time. But since inflation has, for the most part, remained relatively close to target and output close to trend, I think it is difficult to argue that there have been any major policy errors. On that basis, I am comfortable with my voting record during the time that I have been a member of the Committee, including over the past three years.

It is, though, worth commenting on the August 2005 decision to lower the official interest rate by $\frac{1}{4}$ percentage point to 4.5%, since some recent commentary has asserted that it was clearly a mistake. At the time, I supported the move on the grounds that there was a risk that the soft patch in growth might persist and lead to inflation undershooting the target. As the data gradually came in during the first half of 2006 suggesting that growth was picking up and the prospect for inflation consequently shifting up, so I then moved towards favouring higher rates. It is worth noting that many outside commentators were even advocating larger cuts in interest rates in mid-2005; for instance, the NIESR July 2005 *Review* declared that that it was "possible for interest rates to fall to 4–4.25% over the next year or two".

Moreover, even if official interest rates had not been cut, it is unlikely that recent inflation outturns would have been that much different; the NIESR April 2007 *Review* contains simulations suggesting that even if official interest rates had been raised, rather than lowered, by $\frac{1}{4}$ percentage point at our August 2005 meeting, then the effect would have been to reduce the inflation rate in the first quarter of this year by just 0.1 percentage points. The substantive question is really whether official interest rates, from the first part of 2006 onwards, should have been markedly higher than they were. With the evidence then available, no commentators to my knowledge were arguing for substantially higher interest rates. Indeed, even the Shadow MPC, which meets under the auspices of the Institute for Economic Affairs and contains a number of economists of a monetarist persuasion, was still voting for a further cut in interest rates as late as March 2006. Finally, it should be remembered that the real MPC surprised people by raising rates in August 2006—again a move that I supported—well ahead of when market participants expected a tightening.

In my view, it is far too early to draw any conclusion about the appropriate path of interest rates over this recent period, as the episode is not yet complete. Some of the pickup in inflation over the past year is associated with the spike in retail energy prices which is now unwinding. The MPC needs to look through this short-term volatility to where CPI inflation is likely to settle in the medium term. Underlying inflation pressures indeed look to have been a little stronger than we had expected a year or so ago, but only time will tell as to whether we have judged our policy response correctly.

7. *Over the next three years, what are the major risks you foresee to the MPC meeting the inflation target?*

The most serious risk is probably that the recent period of above-target inflation leads to inflation expectations becoming dislodged and higher inflation becoming embedded. As I expect inflation to subside quite sharply through the remainder of this year, I put a relatively low probability on this risk materialising but, if it were to crystallise, the cost could be significant in terms of the subsequent period of slower growth necessary to squeeze out the excess inflation.

A second risk is continued rises in commodity prices, including oil. In part the recent strength of commodity prices is associated with the rapid growth in Asia and this seems likely to continue. However, the biggest gains from trade with China and India may have already been reaped. As a consequence, the beneficial "tailwind" from which we benefited over much of the past decade, may turn into something of a "headwind".

But there are also downside risks. We have found it difficult to understand why both long-term real interest rates have fallen as much as they have and why risk premia have been as compressed as much as they have been. Consequently, there is a risk that asset prices will fall if either long-term real interest rates return to historically more normal levels or risk premia rebound. That could lead to a sharp reduction in demand abroad and at home, especially if it is associated with financial disruption.

There is also a possibility that the accumulation of household debt may weigh on consumer spending rather more than we expect, though I see this less as an independent source of risk, but rather as a factor that may amplify the effect of other shocks.

8. *How far do you think there has been an under-pricing of risk within UK financial markets?*

As already noted, we have found it difficult to understand why risk premia have been as compressed as much as they appear to have been. There are two arguments that can be put forward to justify these low risk premia. First, they may reflect the increased macroeconomic stability observed in this and other developed economies over the past fifteen years or so. But one cannot be sure that the unusually low levels of volatility in both inflation and output will persist. Second, innovation in financial markets has allowed risks to be divided up and re-packaged so as to spread them more widely, thus justifying the lower risk premia. But given the complexity of many of these financial transactions, together with the reduced incentives for monitoring and controlling the underlying risks if they are expected to be sold on, there must be a worry that a severe shock would reveal that they are not, in fact, as widely dispersed as implied by current low risk premia.

9. *When considering the UK economy, how much emphasis do you place on the international economic environment? For example, how sustainable is the current trade deficit in your opinion?*

The international economic environment is important to the outlook for the UK economy in a variety of ways. First, the level of global activity affects the demand for UK exports. Second, commodity prices affect the input costs for UK firms. Third, global export prices affect both UK import costs and the competitive environment facing UK producers. Fourth, global savings and investment flows affect long-term real interest rates and asset prices. Fifth, monetary policies abroad affect the sterling effective exchange rate, and with it import costs, competitiveness and the demand for UK output. It is, however, worth noting that sometimes the exchange rate may move to counteract shocks emanating from abroad. For instance, if there is general overheating in the rest of the world because of lax global monetary policies, then that should be associated with an appreciation of sterling, which will tend to offset the impact of higher world prices on UK inflation and activity.

Regarding the sustainability of the trade deficit, the current account—which also includes investment income and transfers—is probably the more relevant statistic to focus on, at least if the flow of investment income and transfers is thought likely to persist. In 2006, the current account was in deficit to the tune of around $3\frac{1}{2}$% of GDP. But whereas the trade deficit used to be a key constraint on economic policy up until about 1980, the increased mobility of international capital now means that a country like the United Kingdom can finance a deficit for many years running without difficulty (it has, in fact, been in deficit every year since 1983). However, at some stage foreigners are likely to become less willing to continue building up claims on the British economy. If so, that would put some downward pressure on the (real) sterling exchange rate and, depending on domestic conditions and the policy response, help to close the deficit. But this may be a long time coming.

10. *How important do you think the official measures of inflation are in the wage-setting process in the United Kingdom?*

Anecdotal evidence suggests that RPI rather than CPI remains the dominant reference index in pay discussions, particularly in the private sector. However, empirical evidence suggests that the link even from RPI outturns to wage settlements and earnings is relatively weak. This probably reflects: the changes in the structure of wage-bargaining that have occurred over the past couple of decades; increased competitive pressures in product markets; increased availability of migrant labour; and the increased scope for offshoring activities. All four developments mean that even if workers ask for compensation for past and prospective increases in RPI, they are by no means guaranteed to get it. Rather the dominant criteria are the ability of businesses to pay higher wages and their need to recruit and retain suitable staff. That may help to explain why pay growth has remained relatively subdued this year, despite the pickup in inflation.

June 2007

Charlie Bean's Cirriculum Vitae

Name: Charles Richard Bean

Birth Date: 16 September 1953

Nationality: British

Charles Bean (MA, Cambridge; PhD, MIT) is Executive Director and Chief Economist at the Bank of England, having previously been Professor of Economics and Head of Department at the London School of Economics (until September 2000). He has published widely, in both professional journals and more popular media, on European unemployment, on European Monetary Union, and on macroeconomics more generally. He has served on the boards of several academic journals, and was Managing Editor of the Review of Economic Studies (1986–90). He has also served in a variety of public policy roles, including: as consultant to HM Treasury; as special adviser to both the Treasury Committee and the House of Commons, and the Economic and Monetary Affairs Committee (Labour Group) of the European Parliament; and as special adviser on the House of Lords enquiry into the European Central Bank.

Career

1965–71	Brentwood School, Brentwood, Essex.
1972–75	Emmanuel College, Cambridge. (BA, 1975; First in Economics and Mathematics. MA, 1979. MT Dodds prize.)
1975–79	Economic Assistant, Short-Term Forecasting Division, HM Treasury.
1979–81	Massachusetts Institute of Technology. (PhD, 1981; Thesis title: "Essays in Unemployment and Economic Activity". Harkness Fellow.)
1981–82	Economic Adviser, Monetary Policy Division, HM Treasury.
1982–2000	Lecturer (1982–86), Reader (1986–90) and Professor (1990–2000) in Economics, London School of Economics Deputy Director, Centre for Economic Performance (1990–94). Member, Academic Planning and Resources Committee (1995–98). Head of Department (1999–2000).
1990	Visiting Professor, Stanford University.
1999	Visiting Professor, Reserve Bank of Australia.
2000–	Executive Director, Chief Economist and Member of the Monetary Policy Committee, Bank of England.

Journal Responsibilities

Assistant Editor, *Economic Policy* (1985–86).

Editor, special issue of *Economica* on Unemployment (1986).

Managing Editor, *Review of Economic Studies* (1986–90).

Assistant Editor, *Economic Journal (1996–2000).*

Editorial Boards: *Review of Economic Studies* (1984–96, Chairman 1992–96) ; *Moneda e Credito* (1987–97); *Journal of Applied Econometrics* (1991–2003); *Economica* (1996–); *World Economics* (1999–2000); *International Journal of Central Banking* (2004–, Chairman).

Other Academic Activities

Research Fellow, Centre for Economic Policy Research (1984–).

Association of University Teachers of Economics Conference Committee (1986–91).

Economic Policy Panel (1988–90 and 1996–98).

ESRC Macroeconomic Modelling Consortium (1988–98).

Chairman, Economic Growth Conference, European Science Foundation (1991).

Executive Committee and Council, Royal Economic Society (1993–98).

Governing Board of the National Institute for Economic and Social Research (1995–) and Council of Management (1999–).

Policy Committee of the Institute for Fiscal Studies (1995–).

Council of the European Economic Association (1995–99).

Advisory Board of the Centre for Monetary and Financial Economics (2000–).

Governor of the London School of Economics (2006–).

Public Service

Adviser to HM Treasury Financial Analysis Research Group (1984–85).

Centre for European Policy Studies Macroeconomic Policy Group (1987–90).

Academic Panel, HM Treasury (1991–2000); Chairman (1991–98).

Special Consultant, Macroeconomic Policy and Prospects, HM Treasury (1992–2000).

Special Adviser, Treasury Select Committee, House of Commons (1997–2000).

Special Adviser, European Communities Committee, House of Lords—Enquiry into the European Central Bank (1998).

Special Adviser, Economic and Monetary Affairs Committee, European Parliament (1998–2000).

Member, Monetary Policy Committee of the Bank of England (2000–).

Board member, City of London Festival (2003–).

Honours

Fellow of the European Economic Association.

Articles

1. "An Econometric Model of Manufacturing Investment in the UK", *Economic Journal*, March 1981.
2. "A New Approach to the Empirical Investigation of Investment Expenditures: A Comment", *Economic Journal*, March 1981.
3. "Targeting Nominal Income: An Appraisal", *Economic Journal*, December 1983.
4. "Optimal Wage-Bargains", *Economica*, May 1984. (Reprinted in *Macroeconomics and Imperfect Competition, ed. J.-P.Benassy, Edward Elgar, 1995.)*
5. "A Little Bit More Evidence on the Natural Rate Hypothesis from the UK", *European Economic Review*, August 1984.
6. "Crecimiento Economico y Desarrollo del Reino Unido: De la Post-Guerra al Casa de la Senora Thatcher" (Economic Growth and Development in the United Kingdom: from the Post-War Period to the Case of Mrs Thatcher), *Desarrollo y Sociedad*, September 1984.
7. "Macroeconomic Policy Co-ordination: Theory and Evidence", *Recherches Economiques de Louvain*, December 1985.
8. "The Terms of Trade, Labour Supply and the Current Account", *Economic Journal* (Supplement), March 1986.
9. "The Estimation of 'Surprise' Models and the 'Surprise' Consumption Function", *Review of Economic Studies*, August 1986.
10. "The Rise in Unemployment: A Multi-Country Study" (with R Layard and S Nickell), *Economica* (Supplement), August 1986.
11. "Salaires, Demande et Chomage: Une Perspective Internationale" (Wages, Demand and Unemployment: An International Perspective), *Revue Economique*, May 1987.
12. "The Impact of North Sea Oil", in *Britain's Economic Performance*, eds R Dornbusch and R Layard, Oxford University Press, August 1987.
13. "Sterling Misalignment and British Trade Performance", in *Misalignment of Exchange Rates; Effects on Trade and Industry* ed R Marston, University of Chicago Press, August 1988.
14. "Real Wage Rigidity and the Effect of an Oil Discovery", *Oxford Economic Papers*, December 1988.
15. "Employment in the Coal Industry: A Test of the Labour Demand Model" (with P Turnbull), *Economic Journal*, December 1988.
16. "Capacity Constraints and Persistent Unemployment", *Economic Policy*, April 1989.
17. "Why Does Unemployment Persist?" (with R Layard), *Scandinavian Journal of Economics*, June 1989.
18. "Ten Years of Mrs T" (with J Symons), *NBER Macroeconomics Annual*, 1989.
19. "Endogenous Growth and the Procyclical Behaviour of Productivity", *European Economic Review* (Supplement), May 1990.
20. "European Unemployment: Lessons from a Multicountry Econometric Study" (with J Dreze), Scandinavian Journal of Economics, June 1990.
21. "Outsiders, Capacity Shortages and Unemployment in the United Kingdom"" (with A Gavosto), in *Europe's Unemployment Problem*, eds J Dreze and C Bean, MIT Press, 1991.
22. "Skill Shortages and Structural Unemployment in Britain: A (Mis)Matching Approach" (with C Pissarides), in *Mismatch and Labour Mobility*, ed F Padoa-Schioppa, Cambridge, 1991.

23. "The External Constraint in the UK", in *External Constraints on Macroeconomic Policy in Europe*, eds G Alogoskoufis, L Papademos and R Portes, Cambridge University Press, 1991.
24. "L'UEM: Avantages au Plan Interne et Consequences Internationales" ("European Monetary Union: Domestic Benefits and International Implications") in *Vers l'Union Economique et Monetaire Europeene* (*Towards European Economic and Monetary Union*), Ministry of Finance and Budget, Paris, 1991.
25. "Economic and Monetary Union in Europe", *Journal of Economic Perspectives*, Fall 1992.
26. "Unemployment, Consumption and Growth", *European Economic Review*, May 1993.
27. "Government Policy and Economic Growth", in *Advanced Lectures in Quantitative Economics II*, ed A de Zeeuw, Academic Press, 1993.
28. "The Case for an Independent Central Bank", *New Economy*, Autumn 1993.
29. "European Unemployment: A Retrospective", *European Economic Review* (Supplement), May 1994.
30. "European Unemployment: A Survey", *Journal of Economic Literature*, June 1994.
31. "The Role of Demand Management Policies in Reducing Unemployment", in *Reducing Unemployment: Current Issues and Policy Options*, Federal Reserve Bank of Kansas City, 1995.
32. "British Economic Growth Since 1945: Relative Economic Decline . . . and Renaissance?" (with N F R Crafts), in *Economic Growth in Post-1945 Europe*, eds N F R Crafts and G Toniolo, Cambridge University Press, 1995.
33. "The New UK Monetary Arrangements: A View from the Literature", *Economic Journal*, November, 1998.
34. "The Interaction of Aggregate Demand Policies and Labour Market Reform", *Swedish Economic Policy Review*, November, 1998.
35. "Monetary Policy under EMU", *Oxford Review of Economic Policy*, November, 1998.
36. "Australasian Monetary Policy: A Comparative Perspective", *Australian Economic Review*, Spring 1999.
37. "The Single Monetary Policy: One Size Fits All?", in *EMU: Realignments In and Out of the Eurozone*, Royal Institute for International Affairs, London, October 1999.
38. "The Australian Economic 'Miracle': A View from the North" in *The Australian Economy in the 1990s*, Reserve Bank of Australia, Sydney, 2000.
39. "Financial Frictions and the Monetary Transmission Mechanism: Theory, Evidence and Policy Implications", in *Monetary Policy Transmission in the Euro Area*, eds I Angeloni, A Kashyap, B Mojon, Cambridge, 2003.
40. "Asset Prices, Financial Imbalances and Monetary Policy: Are Inflation Targets Enough?" in *Asset Prices and Monetary Policy*, eds A Richards and T Robinson, Reserve Bank of Australia, Sydney, 2003.
41. "Asset Prices, Financial Instability and Monetary Policy", *American Economic Review*, May 2004.
42. "Inflation Targeting: The UK Experience", *Perspektiven der Wirtschaftspolitik*, 2004 5(4).
43. "Monetary Policy in an Uncertain World", *World Economics*, Jan–March 2005.
44. "Globalisation and Inflation", *World Economics,* Jan–March 2007.

Books and Reports

1. *The Rise in Unemployment* (edited with R Layard and S Nickell), Basil Blackwell, April 1987.
2. *The Plain Man's Guide to Fiscal and Financial Policy* (with W Buiter), The Employment Institute, June 1987. (Reprinted in *Conquering Unemployment*, ed J Shields.)
3. *The Two-Handed Growth Strategy for Europe: External Autonomy Through Flexible Co-ordination* (with J Dreze, C Wyplosz, F Giavazzi and H Giersch), Centre for European Policy Studies, June 1987. (Reprinted in *Recherches Economiques de Louvain*, January 1988.)
4. *Europe After the Crash: Economic Policy in an Era of Adjustment* Centre for European Policy Studies, September 1988.
5. *Macroeconomics for 1992: The Transition and After* (with E Malinvaud, P Bernholz, F Giavazzi, and C Wyplosz), Centre for European Policy Studies, January 1990.
6. *European Labour Markets: A Long-Run View* (with P Bernholz, J-P Danthine and E Malinvaud), Centre for European Policy Studies, April 1990.
7. *Europe's Unemployment Problem* (edited with J Dreze), MIT Press, 1990.
8. El Paro en España: ¿Tiene Solución? (Unemployment in Spain: Is there a Solution?) (with O Blanchard and others), Consejo Superior de Camaras de Comercio, Industria y Navegacion de España, December 1994.
9. *Unemployment: Choices for Europe* (with G Alogoskoufis, G Bertola, D Cohen, J Dolado, and G Saint-Paul), Centre for Economic Policy Research, April 1995.

10. *The Ostrich and the EMU: Policy Choices Facing the UK* (with R Pennant-Rea and others), Centre for Economic Policy Research, May 1997.
11. *Social Europe: One for All?* (with S Bentolila, G Bertola and J Dolado), Centre for Economic Policy Research, July 1998.

Speeches and Other Policy Publications

1. "The Formulation of Monetary Policy at the Bank of England" (with Nigel Jenkinson), *Bank of England Quarterly Bulletin*, Winter 2001.
2. "The MPC and the UK Economy: Should We Fear the D-Words?", *Bank of England Quarterly Bulletin*, Winter 2002.
3. "Economists and the Real World", *Bank of England Quarterly Bulletin*, Spring 2003.
4. "Inflation Targeting: The UK Experience", *Bank of England Quarterly Bulletin*, Winter 2003.
5. "Monetary Policy in an Uncertain World", *Bank of England Quarterly Bulletin*, Spring 2005.
6. "Globalisation and Inflation", *Bank of England Quarterly Bulletin*, Winter 2006.

Printed in the United Kingdom by The Stationery Office Limited
8/2007 375727 19585