



House of Commons
Treasury Committee

**Appointment of Charlie Bean
as Deputy Governor of the
Bank of England**

Fifteenth Report of Session 2007–08

Volume I

Report, together with formal minutes

*Ordered by the House of Commons
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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 & Customs and associated public bodies.

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Nick Ainger MP (*Labour, Carmarthen West & South Pembrokeshire*)
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Mr Colin Breed MP (*Liberal Democrat, South East Cornwall*)
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Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via www.parliament.uk.

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/treascom.

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

Committee staff

The current staff of the Committee are Colin Lee (Clerk), Sïan Jones (Second Clerk and Clerk of the Sub-Committee), Adam Wales, Jon Young and Jay Sheth (Committee Specialists), Phil Jones (Committee Assistant), Caroline McElwee (Secretary), Tes Stranger (Senior Office Clerk) and Laura Humble (Media Officer).

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Contents

Report	<i>Page</i>
Summary	3
1 Background	4
The appointment	4
Ms Rachel Lomax	4
Scrutiny of appointments to the MPC	4
Our inquiry	5
2 The appointment process	6
The recruitment process	6
Notice of appointments	6
3 The role of the Deputy Governor for Monetary Policy	8
4 Charlie Bean	9
Background on Charlie Bean	9
Oral evidence	9
Assessment of personal independence and professional competence	9
Conclusions and recommendations	10
Formal Minutes	11
Witnesses	12
List of written evidence	12
List of Reports from the Treasury Committee during the current Parliament	13

Summary

The appointment of Charlie Bean as the Bank of England's Deputy Governor with responsibility for Monetary Policy was announced on 19 June 2008. We welcome the Chancellor of the Exchequer's positive response to our previous recommendation that the posts of the Governor of the Bank of England and of the Deputy Governors be filled by open advertisement, while noting that this process was not followed for the appointment of Charlie Bean as Deputy Governor. We are satisfied that Charlie Bean has the professional competence and personal independence required for the post of Deputy Governor of the Bank of England for Monetary Policy. We therefore welcome his appointment and wish him every success in his new post.

1 Background

The appointment

1. On 19 June 2008, the Government announced that Her Majesty the Queen had been pleased to approve, under the Bank of England Act 1998, the appointment of Charles Bean as Deputy Governor of the Bank of England for Monetary Stability, for a period of five years starting on 1 July 2008.¹ As part of our continuing commitment to the accountability of the Bank of England and in the light of new arrangements for parliamentary scrutiny of certain senior appointments, we took evidence from Charlie Bean relating to his appointment and are now reporting about that appointment.

Ms Rachel Lomax

2. Charlie Bean replaces Ms Rachel Lomax as Deputy Governor for Monetary Policy. Ms Lomax served a full five-year term as Deputy Governor and as a member of the Monetary Policy Committee (MPC) of the Bank of England from 1 July 2003 to 30 June 2008. We would like to thank her both for her service as Deputy Governor for Monetary Policy and for her contribution to the work of the MPC, in which capacity she gave helpful and authoritative evidence to us on a number of occasions.

Scrutiny of appointments to the MPC

3. Since 1998, the Treasury Committee has regularly held appointment hearings with those joining the MPC and on occasions has also examined those re-appointed to the MPC. In the current Parliament, we have made it our practice to examine and report on all those appointed and re-appointed to the MPC. Charlie Bean was appointed as Executive Director of the Bank of England and Chief Economist, and thus an *ex officio* member of the MPC, in 2000. The then Treasury Committee took evidence from him about his appointment in October 2000, concluding that he fulfilled the twin criteria for appointment of professional competence and personal independence.² On 14 March 2007 Charlie Bean was re-appointed to the MPC for a further three-year term with effect from 1 June 2007. We took evidence from him about his re-appointment in June 2007 and concluded that Charlie Bean continued to fulfil the Treasury Committee's criteria for appointments to the MPC.³ As part of his responsibilities as Deputy Governor, Charlie Bean will continue as a member of the MPC.

1 HM Treasury Press Notice 65/08, "Bank of England", 19 June 2008

2 Treasury Committee, Tenth Report of Session 1999–2000, *The Monetary Policy Committee of the Bank of England: Confirmation Hearing*, HC 940–I, para 4

3 Treasury Committee, Seventh Report of Session 2006–07, *The Monetary Policy Committee of the Bank of England: re-appointment hearing for Ms Kate Barker and Mr Charlie Bean*, HC 569

Our inquiry

4. In July 2007, in its Green Paper on *The Governance of Britain*, the Government proposed new arrangements for select committee scrutiny of certain public appointments. The Government envisaged that select committees would be “invited to convene a hearing” with those nominated to “market-sensitive” posts such as those of the Governor and of the two Deputy Governors of the Bank of England before the appointee took up their post.⁴ We have already reported on one appointment under these new arrangements, namely the re-appointment of Mervyn King as Governor of the Bank of England.⁵

5. Following the announcement of Charlie Bean’s appointment as Deputy Governor, we decided to hold an inquiry into his appointment. We decided to consider his appointment against the criteria that we have used for assessing appointments to the MPC, namely whether the candidate has the professional competence and personal independence to fulfil his or her responsibilities properly. In view of our previous consideration of his membership of the MPC, we decided to concentrate our examination on his additional responsibilities as Deputy Governor beyond his membership of the MPC. We sent a preliminary questionnaire to Charlie Bean, requesting information about his career and his views on relevant economic issues. We then took oral evidence from Charlie Bean on 2 July 2008. This evidence, for which we are most grateful, together with Charlie Bean’s answers to our questionnaire, will be published in Volume II of this Report.

4 Ministry of Justice, *The Governance of Britain*, Cm 7170, July 2007, para 79

5 Treasury Committee, Tenth Report of Session 2007–08, *Re-appointment of Mervyn King as Governor of the bank of England*, HC 524-I

2 The appointment process

The recruitment process

6. In June 2007, the then Chancellor of the Exchequer, the Rt. Hon. Gordon Brown MP, announced in evidence to us three changes to the appointment procedures for ‘external’ members of the MPC—in other words, for the four members who do not hold executive responsibilities within the Bank of England—as follows:

- a pre-announced timetable for new appointments;
- advertisements to invite expressions of interest; and
- publication of additional criteria on the qualities and “skills set” that the Government is seeking from successful candidates. In our September 2007 Report on *The Monetary Policy Committee of the Bank of England: ten years on* we welcomed these changes, but recommended that the positions of the Governor and the two Deputy Governors also “be recruited by open advertisement as well as confidential search”.⁶

7. Alongside his announcement of Charlie Bean’s appointment on 19 June 2008, the Chancellor outlined reforms to the appointment process for most members of the MPC:

in future, the Government will advertise vacancies for the Governor and Deputy Governors of the Bank of England and also for external members of the MPC, consistent with the principles of open competition.⁷

We welcome the Chancellor of the Exchequer’s positive response to our previous recommendation that the posts of the Governor of the Bank of England and of the Deputy Governors be filled by open advertisement, while noting that this process was not followed for the appointment of Charlie Bean as Deputy Governor.

Notice of appointments

8. On 30 January 2008, at the same time as the Government provided us with its response to our Report on *The Monetary Policy Committee of the Bank of England: ten years on* and announcements were made about the re-appointment of Mervyn King as Governor of the Bank of England and of Dr Andrew Sentance as an ‘external’ member of the MPC, the Chancellor of the Exchequer gave further information about future external appointments in a letter to the Chairman of this Committee. The Chancellor of the Exchequer stated:

In future, the Treasury will, as far as possible, publish a timetable for appointment of an external MPC member before a vacancy becomes available on the [MPC] and

6 Treasury Committee, Twelfth Report of Session 2006–07, *the Monetary Policy Committee of the Bank of England: ten years on*, HC 299-I, para 84

7 HM Treasury press release 65/08, “Bank of England”, 19 June 2008

announce details of who it has decided to appoint, in sufficient time to be consistent with allowing the Treasury Select Committee three months for their pre-commencement hearings.⁸

He went on to say:

In the event that I judge that reappointing an individual to serve a further term is in the best interests of the Monetary Policy Committee, I will aim to announce my intention to do so in good time before their existing term is due to come to an end. Re-appointed members will undergo a pre-commencement hearing in the same manner as new members, ensuring that all members are subject to regular process of Parliamentary scrutiny.⁹

We welcomed the Chancellor of the Exchequer's commitment to seek to give three months' notice of such appointments to the Monetary Policy Committee.¹⁰

9. Notification of Charlie Bean's re-appointment was not received by us until 19 June 2008, giving us less than two weeks to prepare for the appointment hearing. **To maximise the benefit from the holding of appointment hearings, the Government must give adequate notice of appointments. We have previously welcomed the Chancellor of the Exchequer's commitment to give three month's notice of external appointments to the Monetary Policy Committee and regret that, in the case of the appointment of the Deputy Governor, less than two weeks was given.**

8 Liaison Committee, First Report of Session 2007–08, *Pre-appointment hearings by select committees*, HC 384, pp 27–28

9 *Ibid.*, p 28

10 Treasury Committee, Eighth Report of Session 2007–08, *Re-appointment of Dr Andrew Sentance to the Monetary Policy Committee*, HC 454–I, para 6

3 The role of the Deputy Governor for Monetary Policy

10. There is no published job specification for the post of Deputy Governor of the Bank of England to be taken up by Charlie Bean. In considering Charlie Bean's appointment as Deputy Governor, we therefore decided to concentrate on examining the challenges he would face in his new post and how he proposed to tackle those challenges. The Deputy Governor for Monetary Policy is responsible for two areas of the Bank: Monetary Analysis and Statistics (from which Charlie Bean has been promoted), and Markets.

11. The Monetary Analysis division is responsible for providing the Bank with the economic analysis it needs to discharge its monetary policy responsibilities. This includes conducting research and analysis to inform the MPC's decisions on setting interest rates.¹¹ The main functions of the Markets area include:

conducting operations in the sterling money markets to implement the Monetary Policy Committee's interest rate decisions, while meeting the liquidity needs of the banking system as a whole; managing the Bank of England's balance sheet; managing the United Kingdom's foreign exchange reserves, as the agent of HM Treasury; delivering financial market analysis and intelligence in support of the Bank's monetary and financial stability missions; and contributing to the management of financial and business continuity crises.¹²

12. In our questionnaire, we asked Charlie Bean we asked how he thought his new responsibilities would differ from his previous responsibilities. He replied:

As Executive Director for Monetary Analysis and Statistics, I carried the responsibility for day-to-day management of the Bank's activities supporting the Monetary Policy Committee, including the preparation of the *Inflation Report* and the projections contained therein. Those activities absorbed a considerable fraction of my time. My new role is more strategic in nature, and covers both the Monetary Analysis and Statistics, and Markets directorates. In my new role, I expect to have more time to devote to advancing the Bank's communications agenda, both on monetary policy and market operations. I also expect to participate in more international meetings than is the case in my present role. Finally, I expect to play a greater role in the Bank's management, including on financial stability issues.

11 Bank of England, *Annual Report 2007*, May 2007, p 12

12 *Ibid.*

4 Charlie Bean

Background on Charlie Bean

13. Prior to joining the Bank, Charlie Bean was a Professor of Economics at the London School of Economics. Between 1986 and 1990, Charlie Bean also served as Managing Editor of the Review of Economic Studies, and he has had articles published for a range of audiences. Prior to his appointment to the MPC, he held a number of public policy positions, including as a consultant to HM Treasury and as a Specialist Adviser on monetary policy to the then Treasury Committee from 1997 to 2000. Charlie Bean holds a PhD from the Massachusetts Institute of Technology and an MA from Cambridge.

14. In announcing the appointment of Charlie Bean as Deputy Governor, the Chancellor of the Exchequer said:

I am delighted to announce the appointment of Charlie Bean as Deputy Governor for Monetary Stability at the Bank of England. He is a world-class economist with a great depth of experience in both academia and policy making environments. Appointing an economist of Charlie's calibre is particularly important amidst the significant global economic challenges the UK economy is presently facing.¹³

Oral evidence

15. In oral evidence, we asked Charlie Bean about his professional experience, his priorities as Deputy Governor, and future challenges relating to monetary policy, including questions about—

- The risks to inflation;
- Inflation expectations and the extent to which current inflation is temporary rather than persistent; and
- The reasons for the differences between the public's perceptions of inflation and official measures of inflation.

Assessment of personal independence and professional competence

16. We are satisfied that Charlie Bean has the professional competence and personal independence required for the post of Deputy Governor of the Bank of England for Monetary Policy. We therefore welcome his appointment and wish him every success in his new post.

13 HM Treasury Press Notice 65/08, "Bank of England", 19 June 2008

Conclusions and recommendations

1. We welcome the Chancellor of the Exchequer's positive response to our previous recommendation that the posts of the Governor of the Bank of England and of the Deputy Governors be filled by open advertisement, while noting that this process was not followed for the appointment of Charlie Bean as Deputy Governor. (Paragraph 7)
2. To maximise the benefit from the holding of appointment hearings, the Government must give adequate notice of appointments. We have previously welcomed the Chancellor of the Exchequer's commitment to give three month's notice of external appointments to the Monetary Policy Committee and regret that, in the case of the appointment of the Deputy Governor, less than two weeks was given. (Paragraph 9)
3. We are satisfied that Charlie Bean has the professional competence and personal independence required for the post of Deputy Governor of the Bank of England for Monetary Policy. We therefore welcome his appointment and wish him every success in his new post. (Paragraph 16)

Formal Minutes

Wednesday 2 July 2008

Members present:

John McFall, in the Chair

Nick Ainger	Mr Michael Fallon
Mr Graham Brady	Ms Sally Keeble
Mr Colin Breed	Mr Andrew Love
Jim Cousins	Mr Mark Todd
Mr Philip Dunne	

Appointment of Charlie Bean as Deputy Governor of the Bank of England

Charlie Bean, Deputy Governor of the Bank of England for Monetary Policy, gave oral evidence.

Draft Report (*Appointment of Charlie Bean as Deputy Governor of the Bank of England*), 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 14 read and agreed to.

Paragraphs 15 and 16 read, amended and agreed to (now paragraph 17).

Summary amended and agreed to.

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

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

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 15 July at 9.30 am.]

Witnesses

Wednesday 2 July 2008

Charlie Bean

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List of written evidence

1 Charlie Bean

List of Reports from the Treasury Committee during the current Parliament

Session 2007–08

First Report	The 2007 Comprehensive Spending Review	HC 55
Second Report	The 2007 Pre-Budget Report	HC 54
Third Report	The Work of the Committee in 2007	HC 230
Fourth Report	Climate change and the Stern Review: the implications for Treasury policy	HC 231
Fifth Report	The run on the Rock	HC 56
Sixth Report	Financial Stability and Transparency	HC 371
Seventh Report	Administration and expenditure of the Chancellor's departments, 2006–07	HC 57
Eighth Report	Re-appointment of Dr Andrew Sentance to the Monetary Policy Committee	HC 454
Ninth Report	The 2008 Budget	HC 430
Tenth Report	Re-appointment of Mervyn King as Governor of the Bank of England	HC 524
Eleventh Report	Counting the population	HC 183
Twelfth Report	Inherited Estates	HC 496
Thirteenth Report	Budget Measures and Low-Income Households	HC 326
Fourteenth Report	Appointment of Lord Turner of Ecchinswell as Chairman of the Financial Services Authority	HC 916

Session 2006–07

First Report	Financial inclusion: the roles of the Government and the FSA, and financial capability	HC 53
Second Report	The 2006 Pre-Budget Report	HC 115

Third Report	Work of the Committee in 2005–06	HC 191
Fourth Report	Are you covered? Travel insurance and its regulation	HC 50
Fifth Report	The 2007 Budget	HC 389
Sixth Report	The 2007 Comprehensive Spending Review: prospects and processes	HC 279
Seventh Report	The Monetary Policy of the Bank of England: re-appointment hearing for Ms Kate Barker and Mr Charlie Bean	HC 569
Eighth Report	Progress on the efficiency programme in the Chancellor's department	HC 483
Ninth Report	Appointment of the Chair of the Statistics Board	HC 934
Tenth Report	Private equity	HC 567
Eleventh Report	Unclaimed assets within the financial system	HC 533
Twelfth Report	The Monetary Policy Committee of the Bank of England: ten years on	HC 299
Thirteenth Report	Financial inclusion follow-up: saving for all and shorter term saving products	HC 504
Fourteenth Report	Globalisation: prospects and policy responses	HC 90

Session 2005–06

First Report	The Monetary Policy Committee of the Bank of England: appointment hearings	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 Savings Scheme and the role of financial services regulation	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
Eleventh Report	The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance	HC 1595
Twelfth Report	Financial inclusion: credit, savings, advice and insurance	HC 848
Thirteenth Report	"Banking the unbanked": banking services, the Post Office Card Account, and financial inclusion	HC 1717