BANK OF ENGLAND

News release

Press Office
Threadneedle Street
London EC2R 8AH
T 020 7601 4411
F 020 7601 5460
press@bankofengland.co.uk
www.bankofengland.co.uk

15 June 2007

Central Banking and Political Economy: The Example of the UK's Monetary Policy Committee - Speech by Paul Tucker

xIn a keynote address delivered today to a conference on Inflation Targeting, Central Bank Independence and Transparency at the University of Cambridge, Paul Tucker - Executive Director, Markets and a member of the Monetary Policy Committee - discusses the political economy of the United Kingdom's monetary policy framework.

He reviews how the political economy context affects the way independent central banks are constituted and operate in different countries. In the United Kingdom, key measures include democratically elected politicians setting the Bank of England's objective; mechanisms for the Bank to account to Parliament and the public; external members of the MPC; and, importantly, decision taking by majority voting.

Paul Tucker highlights that the one-person, one-vote structure provides powerful incentives for each member to reach their own view. It also requires clarity between communications that reflect the Committee view and those that explain the views of individual members.

Against the background of the Committee's constitution, he sets out his views on three current monetary policy strategy issues: publishing individual members' paragraphs in the MPC minutes; publishing central bank interest rate forecasts; and the role of money. Addressing calls for a greater degree of transparency in the MPC minutes by publishing paragraphs attributed to individual members, Paul Tucker makes clear his reluctance to go down this 'postal voting' route in favour of preserving proper interaction in Committee discussions. Accepting some arguments in favour of publishing conditional plans for future interest rates, he highlights the difficulties in securing a stable majority for a particular path for interest rates and how having a highly conditional path would complicate communications with Parliament and the wider public. Finally, he affirms the need to take into account shifts in the supply of money, while stressing that care will be needed to identify influences on the outlook for inflation over and above those stemming from credit conditions and asset prices.

http://www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2007/speech312.pdf