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Independence and Responsibility: Observations from an External Member of the Monetary Policy Committee – a speech by Martin Weale

In a speech given at the Thomas Guggenheim Conference¹ in Geneva on Sunday 28 June, Martin Weale outlined the importance of the independence and accountability of individual members of the Monetary Policy Committee (MPC) for monetary policymaking in the UK. He drew attention to a number of features which distinguish the MPC from other monetary policy committees and explain the responsibilities of its members. These include the publicly stated requirement that members “must be able to form their own views and decisions whilst working closely and constructively with other members of the Committee” and are expected to explain the basis for those views and decisions.

Weale rejected concerns expressed by some during the early history of the MPC that the absence of unanimity would represent a failure in the policymaking process. He said: “The first minority vote came, however, without disaster. And the sky remained resolutely in place when the previous Governor, Mervyn King, was himself out-voted.” He suggested that public debate has re-inforced the credibility of the system.

However, Weale noted that the system of majority voting does not necessarily reflect the subtleties of individual MPC members’ positions. Instead, Weale suggested a system whereby each member would cast 100 votes rather than one. Each member would be able to split their votes to reflect a sensible of the real uncertainty around what the appropriate stance of policy should be. Weale said: “If the Committee were to vote in this way, with each member representing the situation as they actually see it, the outcome would, on occasion, be different from that emerging from conventional majority voting.” He suggested that it might deliver better outcomes provided that each member regarded other members’ judgements of the uncertainties facing the economy as being as valid as their own judgements, but that if that were not the case it would collapse into the present system.

¹ The conference is titled “Economic Research and Policy making at the Board of Governors and Federal Reserve Banks in World Perspective: past, present and future.”

Weale welcomed the steps taken in recent years to improve the transparency of monetary policymaking, most notably the reforms introduced by the Stockton and Warsh Reviews.

He noted particularly the recommendation by the Warsh Review that transcripts of the MPC policy discussion meeting be produced and released to the public at a later date. Weale said this reform meant his own contributions to this meeting had become “more stilted”, as he now stuck to a prepared text when articulating his position.

However, he said he expected to adjust to the new process and that that “the broader benefits of releasing the transcripts in terms of sustaining public confidence in the process far outweigh any theoretical cost”. He added that he had argued that these transcripts produced could be released “much earlier” than the eight year lag implemented after the Warsh Review.

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