

# Reforming the Bank of England Monetary Policy Committee...

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I have mentioned [in another blog](#) the work Danny Blanchflower and I are proposing to do now.

Amongst those things, we are discussing writing a book.

One of the many ideas for inclusion in that which we have discussed in the last few days is reform of the Bank of England. This is something we wrote on that in a press release in 2022:

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### **The Mile End Road Economists**

#### **Time to reform the [Bank of England Monetary Policy Committee](#)**

The Bank of England Monetary Policy Committee has had the power to set the Bank of England's base interest rate and to manage [quantitative easing](#) since 1998. These enormous powers are managed by nine people. The governor is a bank insider, all four deputy governors have worked at HM Treasury, whilst of the so-called 'external' members, three are professors of economics and the other is a former banker. Without exception, they are London-based, banking-orientated, have a focus on economics and finance, and know little or nothing about the real world beyond the walls of the City of London.

Unsurprisingly, this [group](#) of people with similar backgrounds, life experiences and comfortable incomes suffer from 'groupthink'. Dissent on the Monetary Policy Committee is rare. The policies pursued by this committee are also hard to differentiate from those of the US Federal Reserve, the European [Central Bank](#) and other similar organisations. In these extremely uncertain times, it is hard to think that there are no dissenting voices arguing alternative scenarios and yet none are heard. As a result, the British people are worse off. Organisations fail because of groupthink.

**Professors Danny Blanchflower and Richard Murphy, who describe themselves as the Mile End Road Economists because they deliberately look at the world from the perspective of the person living just outside London's City Walls<sup>[1]</sup>, believe that this lack of diversity of experience and thinking on the Monetary Policy Committee is dangerous at this moment.**

**As we face an economic crisis of potentially epic proportions, Blanchflower and Murphy believe it is time for the Monetary Policy Committee to be both democratically accountable and to reflect the wide range of business, financial and economic experience that is available right across the UK. Only if this happens do they think that this committee might set policy in the interests of everyone in this country, or the person on the Mile End Road omnibus, as they call them.**

**The aim of the proposal is to encourage diversity of thought. At a later date, Blanchflower and Murphy will also be making suggestions on how the remit of the MPC targets might be changed.**

**Today, they called for the Bank of England's Monetary Policy Committee to be radically reformed. Their suggestion is that the Governor of the Bank of England should be appointed by the government. The Deputy Governor should be appointed by the Mayor of London to represent the city where the bank is based, as a whole. Of the remaining members, three should be appointed by the devolved governments of Scotland, Wales, and Northern Ireland, and the last four should be appointed by regional committees of MPs to represent the diversity of opinion and needs across the rest of England. These members should be elected for fixed terms, not be allowed to serve for more than one term, and should be supported by strong regional offices of the Bank that are intended to inform the decision-making of these members based on local needs throughout the UK. This would mean staff, including forecasting staff, should be moved from Threadneedle Street to various parts of the economy, where their focus would be on both the regional and national economies. These members would represent and promote the interests of people in their regions and would be well paid, and these jobs would be full-time. Each region would get to decide the background and experience of the person it appoints to represent its interest.**

**This way, five goals are achieved. The committee will become very much more democratic. Groupthink could be overcome. The committee is bound to be more diverse. The range of professional interests reflected upon it will increase, which is important given the massive impact of monetary policy on all aspects of UK life, and there will be a clear opportunity to remove from office those who fail in their duties.**

**The potential harm that the current approach, with its inbuilt bias towards**

**the interests of banking and the City of London, is what motivates the call for reform from Blanchflower and Murphy. Professor Danny Blanchflower said:**

*There is a role for a **monetary policy committee**, but it must be accountable, and it must be representative. Our proposal diversifies the professional and regional experience of those on the committee in a way that is bound to ensure that the interests of ordinary people are better reflected in the Bank of England's decision-making processes. We need to encourage diversity of views to stop the groupthink that has dominated the MPC since its inception.*

Professor Richard Murphy added:

*The current MPC brings together a range of people with deep experience of economics rather than a wide range of lived economic experience that might be of greater benefit when making decisions with massive real-world implications for the people of this country. We don't need theoretical answers to the current crisis: we need real ones. Only by changing the composition of the MPC can that be delivered.*

**ENDS**

**[1] The Mile End Road starts a mile from Aldgate, one of the gates into the City of London.**

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**Notes to Editors:**

\* **Prof David (Danny) Blanchflower, CBE, is a British-American labour economist and academic. He is currently a tenured economics professor at Dartmouth College, Hanover, New Hampshire. He was a member of the Bank of England Monetary Policy Committee from 2006 to 2009.**

\* **Richard Murphy is Professor of Accounting Practice, Sheffield University Management School, a chartered **accountant** and economic justice campaigner.**

\* **Details of the membership of the Bank of England Monetary Policy Committee can be found at <https://www.bankofengland.co.uk/about/people/monetary-policy-committee>**