

Answers to the Questionnaire “Bank of England Commission; Issues for Consideration”*

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1. Economic Issues

1.1 What are the objectives and what should be the targets of monetary policy?

The main government-mandated operational target of the MPC is an inflation target of 2.5% per annum on the RPIX index. This should be viewed as a practical expression of the fundamental target of price stability, one of the two key underlying objectives of monetary policy, the other being and systemic *financial stability*. Price stability means a low, in an ideal world a zero (expected) rate of inflation.¹ Even a zero inflation target is not the same as a price *level* target. A price level target would not make economic sense because the general price *level* is of no economic significance whatsoever. It is inflation that creates distortions

* The Bank of England Commission was set up and is chaired by the Rt. Hon Francis Maude, Shadow Chancellor of the Exchequer. Its other members are John Flemming, Sir David Lees, Sir Peter Middleton, Professor Anne Sibert and Oliver Letwin, MP

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The views and opinions expressed are my own. They do not represent the views and opinions of the Bank of England or of the other members of the Monetary Policy Committee.

¹ Menu costs imply that a zero rate of inflation would be optimal. The Friedman optimal quantity of money rule, based on shoe-leather considerations, requires the opportunity cost of money, the short nominal interest rate, to be zero. This would require a rate of inflation equal to the negative of the real rate of interest. Nobody takes a negative target rate of inflation seriously.

(because of menu costs, shoe leather costs and the practical impossibility of perfect indexation of tax and benefit systems and of private contracts), and arbitrary redistributions of wealth and income. Inflation is regressive.

Price stability should be defined in terms of the best practical approximation of the true cost of living index for the mythical 'average' UK household. Asset prices do not belong in the cost of living. They are part of the transmission mechanism and they may be useful as indicators for predicting future cost-of-living increases, but they are not of interest in their own right.

All real-world price indices, including RPI, RPIX, RPIY and HICP are flawed in one way or another. All RPI indices are *overweight* in goods and *underweight* in services. The RPI erroneously measures the cost of housing services through a short nominal interest rate. The appropriate interest rate would be the *own* real interest rate on housing, that is, the nominal interest rate minus the expected proportional rate of increase in house prices. RPIX excludes the interest component of housing costs altogether, which means it distorts an important component of the cost of living.²

Our operational target is 2.5% on the RPIX index, not zero. There are two reasons for shooting for a low but positive rate of inflation rather than for a zero rate of inflation. The first of these has to do with likely biases in the RPI X index. The second would apply even if the RPIX were the true cost of living index. It relates to an important asymmetry in the way the monetary instrument can be used.

Most real-world price indices are likely to overstate the rate of increase of the true, but unobservable, cost of living index. One reason is what economists call 'substitution bias'. Inflation rates are never uniform for all goods and services. When they are not

² It does include an estimate of the depreciation component of the true (imputed) rental cost of housing. I would like to thank Mark Cornelius for pointing out an error in the original statement on housing costs.

uniform, relative prices change, and consumers will typically substitute towards goods and services whose relative prices have fallen. In addition, there are likely to be quality improvements, including new and superior goods and services, that are not captured by the index. One believes (or hopes) that these unrecorded quality improvements are not outweighed by unrecorded quality deterioration. Other price indices, such as the HICP family of indices, appear to produce a systematically lower rate of inflation than the RPI family – by as much as 1 percent per annum in recent years. For reasons we don't fully understand, the fact that the HICP indices use geometric means, while the RPI indices use a mixture of arithmetic and geometric means, accounts for as much as a 0.4 to 0.5 percent difference on an annual basis. Differences in coverage account for most of the rest..

Even making generous allowance for a possible net upward bias, a 2.5% RPIX target is unlikely to represent much less than 1.5% inflation in the true cost of living.³ I believe that an important reason for not targeting a significantly lower rate of inflation for the RPIX index than our current target rate, is a key asymmetry in the monetary transmission mechanism. Until we implement procedures for paying negative interest on currency (taxing money), there is a floor at zero under our main policy instrument, the short nominal rate of interest. The inflation target should be set at a level that makes it unlikely that, for the kind of exogenous shocks and endogenous cycles likely to be encountered, short nominal interest rates would hit that zero floor and be constrained by it.

It is not necessarily a serious problem if the real-world, less-than-ideal price index used in practice is biased and overstates or understates the true rate of inflation. As long as

³ Recent attempts by the Bureau of Labor Statistics in the US to reduce various biases in the way it measures its consumer price index (CPI) has lowered recorded CPI inflation by about 0.7 percent a year.

the bias is stable and its magnitude known, the policy target can allow for it. For instance, if the true cost of living inflation target is 1.5% per year, and if RPIX inflation systematically overstates true cost of living inflation by 1.0% per year, the RPIX target would be set at 2.5%. There would be a problem, if employers and workers engaged in labour market negotiations are not aware of this bias. With 2.5% RPIX inflation, a money wage settlement of only 1.5% would be enough to safeguard the true purchasing power of the pay packet. If they fail to identify correctly that the cost of living grows less rapidly than RPIX, there will be unintended excessive upward pressure on real labour costs.

By pursuing and achieving price stability systematically over a run of years, the monetary authorities also contribute as best they can to the stability of the real economy. While monetary policy can be used to prevent serious financial crises, and to prevent financial fragility to turning into economic crisis, it cannot be used to fine tune the business cycle out of existence. Identifying and responding to individual shocks as they occur is the stuff of fairy tales. Preventing serious crises and not amplifying normal cyclical fluctuations is the best monetary policy can deliver as regards real macroeconomic stability. To have ambitions beyond that runs the risk of monetary policy being used in destabilising manner.

1.2 What instruments should be used to conduct monetary policy?

The use of monetary instruments to prevent serious financial instability is qualitatively different from the normal pursuit of price stability. In normal times, when financial markets are orderly, the only monetary instrument is a short nominal interest rate. In principle, the Bank could use monetary base control or the control of some other monetary aggregate as an instrument, but the unpredictability of the velocity of circulation of any known monetary aggregate makes that an undesirable option. Other instruments, involving the active management of the government's financial assets and liabilities, such as sterilised

foreign exchange market intervention or 'overfunding', are spitting into the wind at best. Variations in reserve requirements are not part of the conventional UK instrumentarium, although they are in the US and in euroland. Selective controls on credit etc. are economic Stalinism: ineffective and costly.

The lender of last resort function is shared in the UK among the FSA, which has the information and the regulatory and supervisory authority over financial institutions and markets, the Bank of England which has the short-term deep pockets, through its ability to create unquestioned liquidity in very large quantities and at little or no notice, and the Treasury, which has the long-term deep pockets, the ability to tax. In conditions of financial instability, 'open mouth policy', forceful statements that everything can and will be done to prevent things from getting out of hand, can also be useful. Economics is always a mind-game. Financial crises are extreme examples of this.

I.3 Should monetary policy be co-ordinated with fiscal policy and, if so, how?

Lack of monetary-fiscal policy co-ordination is a common criticism of the current arrangements, and indeed of any arrangement involving an operationally independent monetary authority. Under the *ancien régime*, both monetary policy and fiscal policy were the sole province of the Chancellor of the Exchequer and the Treasury. The critics of the new operationally independent Bank of England argue that while the new arrangements may have bestowed greater credibility on the monetary authority, they have reduced the ability to co-ordinate fiscal and monetary policy and created scope for conflict.

This criticism is mistaken. It confuses *centralisation* with *co-ordination*. In the late and unlamented Soviet Union, all economic management was centralised. It was also very badly co-ordinated. In the UK today, there cannot be a conflict between the targets of

monetary and fiscal policy. The key point is that the MPC only has *operational* independence. It does not set the *objectives* of monetary policy. There can be no conflict between the targets of monetary and fiscal policy, because the Chancellor sets them both.

Even if there is no conflict of objectives, lack of co-ordination could result from the MPC and the Treasury not knowing what the other party is doing and thinking. This potential lack of information has two dimensions: uncertainty about how the other party views the exogenous environment within both parties operate, and *strategic uncertainty* about how one party will respond to the actions of the other party.

There is, in fact, a very effective flow of information between the MPC and the Treasury. A Treasury Representative attends the meetings of the MPC in a non-voting capacity. The Treasury Representative speaks and listens. He does not attempt to exercise pressure or twist arms. We receive regular briefings and other updates on budgetary issues and prospects that are relevant to the monetary policy decision. The Governor meets regularly with the Chancellor. The notion that either party is unaware of what the other party knows and thinks, is wrong.

It is true that, even if there is no conflict of objectives, and even if there is no uncertainty about what the other party knows or believes about the common policy environment, there may be *strategic uncertainty* about how one party would respond to an action of the other party. The analogy here is with a rugby team. All players on the team have the same objective: to annihilate the opposition. They all share the same information about playing conditions and the opposition.⁴ The players on each team must, however, play co-operatively in order to be effective. They must make binding commitments to make certain joint contingent moves, if they are to achieve the shared team objective.

⁴ Of course, the game with their opponents is (meant to be) non-co-operative; no binding agreements can (should?) be made.

There is no formal mechanism that allows the MPC and the Treasury to act co-operatively—in the way game theorists use that concept, that is, to make binding commitments about current and future policy actions or decision rules. The policy game, however, is a repeated game. Our monthly interest rate round has, thus far, been repeated 30 times. For practical purposes, we can view the interaction of the Treasury and the MPC as an infinitely repeated game. As time passes, repetition and reputation make it possible to achieve outcomes very close to what can be achieved in a formal co-operative arrangement. Lack of co-ordination of monetary and fiscal policy simply is not an issue.

2. Constitutional Issues

2.1 Should Government have a role in monetary policy and what should it be?

The government should set the target or targets of monetary policy. There is a potential tension between the government's ability to set and change the target, and substantial operational independence of the central bank. If the government were to change its target at the drop of a hat, the benefits from having an operationally independent monetary authority would be ephemeral. Fortunately, such has not been the case. The inflation target has not been changed since it was first announced in June 1997. Such restraint on the part of the Government setting the target is essential.

The reserve powers retained by the Treasury, which permit the Chancellor to take back the control over the monetary instrument(s) are subject to ex-post Parliamentary confirmation and are meant to be exercised only in exceptional circumstances. They have not been exercised thus far. I frankly do not see much of a rationale for the existence of these override powers. If they are there to allow centralised control over all macroeconomic levers in times of war, the Act could say so. Even then, I am not convinced of their

usefulness. Neither the legislation establishing the Federal Reserve System nor the Treaty establishing the ECB/ESCB contain any ‘over ride clauses’. While the Treasury’s reserve powers have not been invoked, and no hint of them being invoked has ever come my way, the reserve powers could be used to undermine operational independence in a less enlightened policy environment.

2.2 Should Parliament have a role in monetary policy and what should it be?

Parliament should be able to call any member of the MPC to give evidence before the proper Parliamentary Committee or Sub-committee. That is the current position.

A second role for Parliament, which is not part of current practice, is for Parliament to conduct formal confirmation hearings and to have a vote on the confirmation of MPC members nominated by the Chancellor. This would have a number of advantages. It would extend Parliamentary oversight and control into an important policy area. It would weaken the Government’s powers of patronage. It would strengthen the political legitimacy of the individual MPC members and of the MPC collectively.

There are also risks associated with this. Confirmation hearings in the USA (not so much for members of the Board of Governors of the Fed, but certainly for other positions such as membership of the Supreme Court) have tended to become a three-ring circus. Nominees are questioned, indeed harassed, about their political affiliations, ideologies, religious beliefs, attitudes to free masonry and sexual orientations. For confirmation hearings and votes to work properly, Parliament would have to be able to commit itself credibly to limit questioning to the issues of competence and independence.

On balance, I favour formal confirmation hearings and votes, but the practice is not without risks.

2.3 Should there be an independent monetary policy authority and, if so, what should it do?

There should be an operationally independent monetary policy. It should pursue the target or targets set for it by the government.

3. Detailed Structural Issues

A. If there is to be an independent monetary authority...

3.1 What should the composition of the monetary authority be?

The size of the monetary authority should be large enough to represent a range of insights and expertise, but not so large as to become unwieldy. I consider the size of the MPC, nine members, to be, if anything, slightly on the large side. Before June 1998, the MPC operated with six, then seven and eventually eight members. I feel seven was probably the optimal size.

I would prefer the MPC to have a majority of non-executive members. The reason for this is that it is better not to have a numerical majority on the MPC for members belonging to a single institution or organisation. I recognise that all MPC members, executive and non-executive, are appointed individually, and accountable as such. However, for the executive members, their appointment to the MPC derives from their positions in the Bank's hierarchy. Inevitably, an institutional consensus develops in any organisation, especially one with a strong internal culture and sense of 'corporate identity'.

Another argument in favour of a non-executive majority is that it is desirable that MPC members be engaged full-time with the monetary policy process. Having serious

executive or line management responsibilities in any organisation, including the Bank, makes such a full-time engagement difficult.

3.2 What terms of appointment should govern its members?

I have no strong views on the terms of appointment for the executive members. Since their appointments to the MPC derive from their executive positions in the Bank of England, any term limits for the executive members should be derived from term limits on these executive positions.

As regards the non-executive members, they should be appointed for one term only. The potential for re-appointment would undermine at least the appearance and possibly the substance of independence.

The duration of the single-spell appointment should be no longer than five years and no less than three years. The reason for a fairly tight upper limit is obvious. External members inevitably become ›internalised‹, ›go native‹, and gradually lose their capacity for fresh and independent thinking after a while. A term of less than five years needs to be available if one wishes to retain the option of recruiting MPC members from the academic community, and one does not wish to restrict the selection to those who are willing to leave academe permanently. Five years out of academe makes one effectively unemployable in academe subsequently. Universities in any case will not grant leave for more than three years. Since university compensation is partly through security of tenure, giving up what amounts to tenured positions is costly.

Shorter appointments are also desirable because longer appointments can involve a financial cost that would make MPC membership unattractive to those with high earnings potential (high human capital) but little non-human capital. This would be even more relevant if appointments were part-time. Consider the case of academic economists. While

UK academic pay is low by historical and international standards, economics is an academic discipline whose practitioners benefit from a strong non-academic market for their professional services. Senior academic economists can and do make a multiple of their academic pay as outside consultants and analysts. For such economists, half their academic salary plus half the external MPC salary, while very good money by absolute and most relative standards, nevertheless represents a significant cut in total earnings. The honour and privilege of public service are of course important rewards in themselves. An MPC member's permanent income, that is, his or her future, post-MPC earnings potential, is also likely to be boosted by MPC membership.

Nevertheless, insisting on long-term appointments at levels of pay that can be significantly bettered elsewhere, implies a real risk of a preponderance of low-calibre appointments. The experience of the Federal Reserve Board, other than at the level of the Chairman and, possibly, the Vice Chairman, demonstrates that this risk does materialise quite frequently. Of course, individuals of quality and distinction have also served as ordinary Board members. Public service is its own reward for some.

External appointments should be available both as a full-time and as a part-time option. Restricting external members to be part-time would severely limit the set of candidates. Conflict of interest considerations rule out most private sector jobs as a complement to a part-time external MPC appointment. Just about the only kind of complementary employment that would not create a risk of conflict of interest would be academic employment.

For academics, or other full-time not-for-profit researchers, there would be the further logistic limitation that they would have to be based in central London. I tried for a year to combine my MPC job with teaching at Cambridge. The fact that the Bank's scheduling is, inevitably, both inflexible and somewhat random, meant that I did not do a proper job for my

students in Cambridge that year. Having spent the best part of an academic year apologising to students, colleagues and administrative staff for missing lectures, classes and appointments with little notice, I concluded that the only reasonable thing to do was to take unpaid leave from Cambridge for two years and to work full-time for the MPC. Those who argue that the Bank's scheduling can be made more flexible and less random, need to take a reality check.

Those who believe that they can do an acceptable job as an MPC member and as an academic based outside central London are fooling themselves. They will make a poor job either of their MPC membership, or of their academic responsibilities, or both.

Requiring external MPC members to be part-time would restrict membership to the following categories of people: central London-based academics, the independently wealthy, the semi-retired, and those who do not take their MPC job and/or their other job seriously. I would not wish to restrict the external membership of the Monetary Policy Committee to these categories.

I believe MPC members should be full-time occupied and pre-occupied with monetary policy issues, even when they are not full-time on the MPC. The one remaining part-time external MPC, Charles Goodhart of the LSE, is a professor of monetary economics, who is *ipso facto* involved with monetary policy issues whether he is at the Bank or at the LSE. The year I tried to combine a university position with MPC membership, I lectured on macroeconomics, monetary economics and international finance. External MPC members should be full-time engaged in monetary policy, whether formally at the Bank, or in the other day job. Monetary policy is not likely to be well designed and executed by a few monetary dilettantes wafting in a few days each month for a spot of rate setting.

My great fear whenever I hear proposals for making external MPC membership part-time is the following: there are very few Charles Goodharts. In fact, I know only one. The

external contingent on the MPC would risk becoming either yet another dumping ground for the great and the good, or a reservation for the mediocre and the brain-dead.

3.3 How should its members be chosen?

They should be chosen solely on the basis of two criteria. First, their professional expertise in the field of monetary policy, and second their independence.

3.4 How independent should its members be of the Bank of England and how should that independence be secured?

This is not an easy question. Following the loss of its regulatory and supervisory functions and of its debt management role, the Bank of England is now more nearly a narrowly defined monetary authority than it has ever been in its past. Even so, I consider it desirable that the members of the MPC not be drawn primarily from among those who have full-time line appointments in the Bank of England. Note that, unlike the Fed, but like the ECB, the MPC has among its members persons with senior line management responsibilities in the central bank.

Monetary economics is a vague and fuzzy, but also technical and complicated subject. Effective monetary policy is informed by a range of skills and disciplines, each of which is constantly evolving. Every organisation develops, in short order, an in-house view, an orthodoxy, a conventional wisdom, which it becomes increasingly difficult to challenge effectively. External members can provide an extremely valuable input into the monetary policy process when they ask ›why?‹ rather than merely ›how?‹

Unlike executive members, who have significant line management responsibilities, full-time external MPC members can dedicate themselves fully to the monetary policy

process. It is the combination of monetary policy relevant knowledge and the ultimate scarce input, time, that makes external members valuable to the rate setting process.

Clearly, relative short and non-renewable appointments for external members would help serve the cause of independence. So would having a majority of external members on the MPC. Appointing the highest calibre people, likely to be people with plenty of outside options, would further enhance independence. Permitting both full-time and part-time appointments is also essential for being able to recruit from the widest pool of possible talent.

The main further determinant of substantive independence is access to information and other resources that can support the development of independent views of the transmission mechanism of monetary policy. This is essential. The greatest weakness of the US model of central banking is that it has concentrated power in the Chairman. This power is exercised partly through strength of personality, but also through the Chairman's control of access to the Fed's very talented research staff. The result is that the six other Board members are in danger of becoming bit players only. It becomes very difficult to recruit and retain good people. Alan Blinder, Janet Yellen and Alice Rivlin all left after only a short stay.

The five regional Federal Reserve Bank Presidents who vote on the FOMC (by rotation among the 12 Federal Reserve Districts; New York is always on the FOMC), all have large research staffs working for them. However, unlike the Washington-based Board members, who are nominated by the President of the USA and confirmed by the Senate, the regional Presidents are representatives of the regional banking or business community only. Thus, those who have the political legitimacy do not have the resources (except for the Chairman) and those who have the resources do not tend to see themselves as having the political legitimacy necessary to stand up to the Board.

In Japan, as I understand it, the non-executive members have one personal assistant each. While it is no doubt pleasant to have someone to carry one's briefcase, this is clearly not meant to provide the non-executive members with resources adequate to make any kind of dent in the in-house consensus of the Bank of Japan. I do not know how non-executive members of the Bank of Japan relate to its permanent staff.

In euroland, the 11 national central bank Governors have access to the resources of their own national central banks. It is unclear how the six Executive Board members are individually situated in terms of access to monetary policy-relevant information and the capacity to influence staff research and forecasting priorities.

At the Bank of England, the four external members have recently each been granted the support of two economic research staff. It is important that these resources can be pooled. Without that pooling option, one would have had to appoint eight all rounders. With effective pooling (which requires the eight staff members to be in one place, rather than scattered over the country in four micro teams of size two each), one can appoint a cross-section of different, complementary specialists who can form an effective team capable of addressing a wide range of short-term and long-term issues.

In addition, external MPC members will be involved more closely in prioritising the monetary policy relevant research undertaken by the Bank's large, highly qualified and very highly motivated staff in MA and elsewhere.⁵ More effective arrangements for accessing research in progress are also being implemented.

At one level, all this is good news, because it makes external members more effective participants in the monetary policy process. At another level, it raises the issue of what, if any, distinction remains between executive members of the MPC and external or non-executive members. Active involvement in prioritising research programmes has a distinct

⁵ MA is the Monetary Analysis department in the Bank of England.

executive flavour. So does our managing our individual ‘micro-units’, for which we are individually accountable. All four external members have offices in the Bank, and all but one are now full-time. We are on the Bank’s budget, and the Bank of England Act 1998 indeed describes us technically as ‘servants of the Bank’. That does not sound too independent. The way in which the ‘resources’ issue was resolved did indeed further blur the distinction between external and executive members.

There are other ‘models’ for handling the relationship between the external members of a monetary authority, the executive members and the staff. One option would be to grant the external members a ‘divorce’. To emphasise their distinct position from the executive members, non-executive members could be put in separate premises, be moved off the central bank’s payroll and be resourced independently. The problem with this is that it risks marginalising the external members from the point of view of their input into the preparations for the key substantive tasks of the policy making committee. In the case of the MPC these are the monthly interest rate setting rounds and the quarterly inflation report rounds.

If, applying the ‘divorce’ option to the British case, the externals were moved out of the Bank *and* made part-time, they would be condemned to ineffectiveness, unless a way could be found of cloning Charles Goodhart. The appearance of independence would not be backed up with the substance of independence, that is, the capacity to offer well-informed, adequately researched, independent inputs into the monetary policy process.

This marginalisation and ineffectiveness of the external members vis-à-vis the monetary policy process would be present even if external members were given very considerable independent resources, amounting to a rival, parallel research and policy analysis department outside the Bank, comparable in magnitude to MA. (that is, an order of magnitude larger than the quantum of dedicated resources to be put at the disposal of the external members under the recently agreed arrangements). There is, of course, nothing

wrong in principle with setting up, rival or competing research and analysis departments, even within a single organisation. Competition often produces better results for the organisation as a whole than more centralised modes of organisation and control. Research and policy analysis is no exception to this rule. If the ‘divorce option’ were ever implemented, a competing, fully-fledged research and policy analysis department would be necessary for external members to be more than a token presence.

It would not, however, be sufficient. No matter how research and analysis are organised, all MPC members will have to continue to rely on the Bank’s staff (in MA and elsewhere in the Bank) for key data, information and analysis, both for the monthly rate setting rounds and for the quarterly inflation report rounds, if they are to be effective in influencing the outcomes. How this could be made a reality if the external members were to become significantly more detached from the Bank than they are today, is not clear.

I do not think there are elegant solutions. The right balance has to be struck between two conflicting objectives. The first is the appearance and substance of external members’ independence. This calls for distance and separation. The second is the effectiveness of their input into the monetary policy process, that is their ability to give effective expression to their views on the monetary transmission mechanism, as it affects the interest rate decisions and the inflation forecasts. This call for closer integration of the external members into the Bank. The part-time model, with a small-scale independently resourced support unit, would be pure tokenism, a recipe for completely marginalising and emasculating the external members.

3.5 Should the actions of the monetary authority be subject to peer review and, if so, how should this be achieved?

I am a bit baffled by this question. Who are our peers? The ECB Council, the FOMC, the House of Lords? Studies of our policy actions are already coming out of the pipe

line at a significant rate. History is judging us as we speak and will continue to do so. We won't be short of reviews.

B. If there is not to be an independent monetary authority...

There is one. There ought to be one.

4. Openness and Accountability

4.1 Should the minutes and/or information about the views of individuals involved in setting monetary policy be published.

I rather like our current practice of publishing the individual votes and quite extensive, non-attributed minutes. Detailed attributed minutes (or *verbatim* transcripts) would not be a good idea. Meetings would become set pieces, where participants would come with prepared statements which they would read into the record. There either would be no serious discussion at all (the US outcome) or the serious discussion would move elsewhere (the likely UK outcome).

I also quite like Terry Burns's suggestion that individual members attach a brief paragraph explaining their vote to the published voting record and minutes. Unlike a *verbatim* transcript of the discussion, this would not discourage free and frank discussion, bold consideration of counterfactuals etc. Clearly, the short statement would have to be written immediately following the meeting at which the vote is taken. Waiting two weeks till the vote is published would invite all kinds of ex-post rationalisations. In Japan, members who dissent from the majority view write a brief, attributed, statement explaining the reasons for their dissent. The Burns proposal would extend this practice to all MPC members.

Only the views of MPC members should be published, not the views of staff involved in the forecasting process or in the general support of the MPC process.

4.2 Should all/some of the information and forecasts available to those responsible for setting monetary policy be published?

Yes, with the obvious qualifications of proper treatment of confidential commercial information and, possibly, market-sensitive information. Since virtually all information is potentially market-sensitive, there has to be a strong presumption that things will be published, unless a very strong case is made for not releasing a specific bit of information.

4.3 Should individuals involved in the process be subject to open and individual scrutiny?

The MPC members are, and should be.