
IEA Shadow Monetary Policy Committee

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Shadow Monetary Policy Committee votes five / four to raise Bank Rate in September.

In an email poll, the Shadow Monetary Policy Committee (SMPC) voted to raise Bank rate by 0.25% in September. This change has been signalled at the last two meetings, where the vote has been five / four to hold rates. Hence, the vote for a rate hike is not a surprise, though perhaps the timing of it might seem that way to some, given the turmoil in financial markets amid a sharp fall in oil prices. That said, those arguing for higher rates have reiterated that it is not dependent on recent data. It should be noted that the change in vote was not because of a change in those voting, but of one member changing his mind. This is the first vote for a rate hike on the SMPC since January 2015.

Those voting for a rate hike noted that the economy has been growing at an above trend pace for some time; that official interest rates have been abnormally low for too long, and that a process of normalisation should have started some time ago. Some argued that the current crisis shows the need for higher rates so as to have room to ease rates if required, giving some much-needed flexibility to monetary policy. In addition, it was judged that lower oil and other commodity prices will boost the UK economy in the months ahead so could actually lead to greater inflation pressure.

Those wanting to keep rates on hold argue that with financial market turmoil and low global inflation the UK still has plenty of time to react to higher domestic inflation. Indeed, they worry that the UK economic recovery could run out of steam quite quickly if world growth slowed further, at a time that the bias of risks point to a global environment where deflation seems more likely than inflation.

The SMPC is a group of economists who have gathered quarterly at the IEA since July 1997, with a briefer e-mail poll being released in the intermediate months when the minutes of the quarterly gathering are not available. That it was the first such group in Britain, and that it gathers regularly to debate the issues involved, distinguishes the SMPC from the similar exercises carried out elsewhere. To ensure that nine votes are cast each month, it carries a pool of 'spare' members. This can lead to changes in the aggregate vote, depending on who contributed to a particular poll. As a result, the nine independent and named analyses should be regarded as more significant than the exact overall vote. The next two SMPC polls will be released on the Sundays of 4th October and 1st November 2015, respectively.

Vote by Roger Bootle

(Capital Economics)

Vote: Leave Bank Rate unchanged.

Bias: To raise Bank Rate.

Vote and comment by Jamie Dannhauser

(Ruffer)

Vote: Raise Bank Rate by 25bps.

Bias: Further very gradual hikes in Bank Rate;
no change in QE stock.

**Rates have been too low
for too long**

The MPC has not voted to tighten monetary policy in eight years. It has not moved Bank Rate since February 2009 (when Bank Rate was cut from 1% to ½%) and has left the overall stance of monetary policy unchanged over the last three years. The combination of Bank Rate at (or very close to) its effective lower bound, the £375bn stock of gilts on the Bank of England's (BoE) balance sheet, the Funding for Lending Scheme (FLS) and the government's (inappropriate) mortgage guarantee scheme together amount to an unprecedented degree of monetary accommodation. The time has come for the normalisation process to begin.

**Market turmoil should not
prevent a rise in UK rates**

Given financial market developments over the last couple of weeks, one can make the case for caution at this stage. Indeed, it is almost certain that the wild gyrations in equity markets will push back Fed 'lift-off', possibly even into 2016, if the rout is large enough. It is far less compelling, however, to argue that this should delay a marginal withdrawal of exceptional monetary stimulus in the UK. (A Fed less in hock to financial markets would have the courage to look through equity market volatility and move in the next few months – but long gone are those days.)

**The economy is in rude
health and there are four
reasons good reasons
why it can withstand a
rate rise**

The fact is the UK economy remains in rude health, with a monetary stance that looks increasingly inappropriate. Last month, the potential economic and political implosion of Greece was a justifiable reason to 'wait-and-see'. While the deal agreed since then is an economic disaster for Greece and its population, it has removed the possibility (for now) of a disorderly Greek exit from the eurozone and the associated threat to Europe's economy.

Some will argue that the convulsions in China and the rest of the emerging world provide another reason to hold back from hiking Bank Rate. I am not persuaded by this for four reasons.

1. Whether one looks at UK gross exports to emerging markets (EMs), or more logically the UK value added generated by EM final demand, Britain has very limited exposure to a 'demand shock' in China or elsewhere in the emerging world.
2. With non-energy commodities joining the collapse in oil prices, the UK is set to benefit over the next few quarters from a very significant terms-of-trade gain that will more than offset the contractionary effects of weaker EM final demand growth.
3. Contrary to what financial markets are telling us, high frequency indicators (hard data and business surveys) of Chinese activity suggest growth bottomed out in late spring. 'Old China' suffered a severe squeeze during Q1; but there is growing evidence that underlying momentum, although still weak relative to China's recent past, has picked up through the summer months.
4. While the narrative around current market gyrations focuses on a Chinese hard-landing and a possible EM-led crisis, they may in fact be more closely linked to the behaviour of systematic investors, who appear to have dominated much of the recent trading. Market fundamentals and macro factors seem to have been much less relevant. Equity market volatility may therefore have more to do with a liquidity-driven unwind of systematic/technical investors' positions than a re-assessment of global growth prospects by unleveraged 'real money' investors.

Fears of market strains are not enough to stop a rate rise

Recent equity market wobbles could indeed worsen – and spill-over to other parts of the financial system, e.g. corporate debt markets. This is a downside risk to the UK's growth outlook. In a small, open economy like Britain's, the global risk taking cycle is an important determinant of the monetary conditions that ultimately drive behaviour in the domestic economy. But it is not clear that such fears are sufficient to warrant postponing a marginal tightening in BoE monetary stance.

Growth in the UK economy remains robust. It has fallen back from the heady rates (annualised growth of 4%) seen in the middle of last year; but the pace of expansion is still above the economy's underlying trend rate. There is scant evidence either from the official data or from business surveys that growth is set to soften. Indeed, the latest data releases from the ONS suggest the economy might have picked up steam moving into the current quarter. With a full quota of output-side measures through June, there is a clear uptick in growth momentum since the spring.

Recent data have shown a strong economy

The June data itself was particularly robust, with large gains across a number of different industries within the private service sector, the core of the UK economy. Real GDP in June (an estimated measure based on monthly output indicators) was 0.4% above the second

quarter average, implying a solid hand-off into Q3. Expenditure-based measures are preliminary at this stage but the breakdown of GDP was also encouraging, with expansion supported primarily by consumer spending and business investment. Net trade provided a major boost to output in Q2, reflecting a surge in exports. But this reflects a one-off jump in chemicals exports that is likely to be reversed in the current quarter and which anyhow seems to have been offset (in GDP terms) by major de-stocking in that industry.

The case for moving at this stage is strengthened by recent revisions to past GDP data. While the ONS has yet to incorporate these fully into the National Accounts, indicative estimates of the effect of the annual revision and rebalancing process have been provided for the years 1997-2013. Little of note is evident in the pre-crisis data: annual average growth is somewhat weaker in the decade before the crisis but this reflects a large one-off revision to business capex in a single year because of methodological changes.

Growth revised up by the ONS

More relevant is the material upward revision to output growth in the period 2011-2013. It turns out (as business surveys have long suggested) that economic expansion was around ½% stronger in each of the three years, primarily reflecting more robust private sector final demand. (For reference, the new path of real GDP is materially higher than the MPC's 'backcast'.) It is not obvious to what extent this higher level of economic activity should be apportioned to potential as opposed to actual output. But one thing is very clear: the 'headwinds' to growth that have been central to justifying an exceptionally low 'neutral' interest rate were/are in fact weaker than previously thought. This should give one greater confidence that monetary policy has 'gained traction' and as a result that the economy can weather a small move in Bank Rate.

There is of course lingering concern about depressed levels of underlying inflation. While monetary policy has to be forward-looking, and should view the collapse in imported raw material costs as a positive 'supply-shock' that will ultimately support aggregate demand, it is somewhat disconcerting that inflationary pressures appear weak across a number of different measures. This could suggest greater slack in domestic factor utilisation or a greater sensitivity of pricing behaviour to that slack. Either way, it could signal that the economy has greater scope for rapid output growth.

Recent inflation data show that the trend is now up not down as it was 6 months ago

Six months ago, this argument was valid. Not only were underlying measures of inflation inconsistent with the inflation target, but they were also trending down. The latest batch of data suggests a turning point may already have been reached. The rate of inflation in core CPI, the CPI components with the lowest import intensities, services CPI, basic private sector pay etc. have all bottomed out – and in a couple of cases have turned up noticeably. This is obviously most true of private sector wages.

Monetary data indicate that loose monetary policy is passing increasingly through to the real economy

It is now time to raise rates and to normalise monetary policy

Moreover, indicators of domestic monetary conditions – broad money/ private credit growth, lending spreads, bank risk appetite etc. – all support the assertion that easy monetary policy is being transmitted through the banking system to the real economy. The latest BoE Credit Conditions Survey was especially encouraging, with banks reporting robust loan demand in the SME and mortgage market, an ongoing easing of credit conditions (driving by increased risk appetite and competition between lenders) and further sharp decline in loan spreads. The cross-check from these monetary indicators supports the conclusion reached on the basis of the real variables discussed above.

On balance, therefore, it is time to begin the process of monetary normalisation. The full effects of monetary policy changes are felt in output (inflation) one (two) year hence, so the decision to move today is based on expectations of where the economy will be some time from now. Given the turbulence in financial markets, there is a case for allowing the dust to settle. But there is also a danger that central banks become beholden to market shifts. Both the BoE and the Fed have become overly concerned with the (near-term) tactics of monetary policy; neither seems able to articulate a (longer-term) strategy for the path of policy over time. Central banks' primary responsibility is ensuring broad nominal stability in the economy, a task that should not be interpreted to mean a narrow focus on hitting a target for consumer price inflation or limiting equity market volatility. Sadly, modern central banking has fallen into this trap.

At this juncture, the UK economy has sufficient domestically-generated momentum for monetary policy to aim to normalise gradually. And there is enough upward pressure on certain asset prices, residential and commercial real estate most obviously, for us to be confident that the downswing of the domestic leverage/credit cycle is over. Given unresolved flaws in the global economy, it is unlikely that Bank Rate will return to 'normal' levels for many, many years. There are many pitfalls on the road ahead. All the more reason then for the MPC to replenish its ammunition now, with the domestic economy in good shape, than after a global downturn has started.

The micro economic arguments in favour of a rate rise are as strong as ever

Vote by John Greenwood

(Invesco Asset Management)

Vote: Hold Bank Rate.

Bias: Neutral.

Vote by Graeme Leach

(Legatum Institute)

Vote: Leave Bank Rate unchanged.

Bias: To raise rates.

Vote and comment by Kent Matthews

(Cardiff Business School, Cardiff University)

Vote: Raise Bank Rate.

Bias: To raise Bank rate further in stages.

The microeconomic arguments in favour of a staggered rate rise remains as strong as ever and the turmoil in world stock markets has amply demonstrated the folly of keeping interest rates at near zero because there is nothing left in the monetary policy armoury. QE remains but that should be deployed only in the extreme. Falling commodity prices will place further downward pressure on inflation and it would look perverse to raise interest rates when inflation is weak and world stock markets are in rout. The problem with low rates for so long is that something can always come along to stop it being raised. That something has come along and a rate rise will have to wait until global financial markets have settled. In the meantime, the distortions in financial flows will continue, SMEs will continue to face difficulty in raising finance, zombie companies will live for a while longer and full recovery will be delayed even further.

Vote and comment by Patrick Minford

(Cardiff Business School, Cardiff University)

Vote: Raise Bank Rate by ½%. Start to reverse QE if rates are not cut.

Bias: To raise Bank Rate and QE to be reversed.

The living wage is a mistake

What is wrong with the Conservatives? They get a majority against the odds and then for some extraordinary reason of political posturing they bring in the completely mad idea of the 'living wage', overturning even the Labour party's dangerous policy of creating a minimum wage but safeguarding us against its dangers with the Low Pay Commission, whose job is to minimise its impact on jobs. At a stroke this Chancellor has forgotten economics to score some quite redundant point against Labour with this Living Wage policy, which effectively overrules the Low Pay Commission's functions. The danger is that this will put the UK's minimum wage on a par with France's and we know what that has done. The labour market has a nasty tendency to respond fast to incentives. The economy has benefited in this recovery from a flexible labour market, in spite of all the EU's efforts to ossify it. The zero hour's contract for example has been a masterly fight-back against the EU's socialist dreams in the labour market.

UK employment laws are balanced

UK employment law mostly retains balance and fairness between employers and employees, even if we could still helpfully remove some recent encrustations from the EU such as TUPE and full-time rights for part-timers. But raising the minimum wage will hit low-paid jobs with vicious force. One needs to remember that over half of UK jobs are in SMEs; these firms will just cut back and the dole will roar away, especially in the next recession.

Cuts in welfare seem to be falling on the poor-in work – a mistake

A further serious problem is that the cuts in welfare benefits seem set to fall largely on poor in-work families. This again flies in the face of all the Thatcher labour market reforms. These, if you recall, concerned the 'why work' syndrome; it was agreed that politically you could not reduce the benefits received by the unemployed and so the state must support the incomes of the employed in order to produce incentives to be employed on the worker side and maintain incentives to employ on the firm side. You cannot square this circle by forcing employers to pay more and taking away in-work benefits because this will just destroy jobs.

We need to watch these trends carefully since when the labour market goes wrong it spells trouble for other policies which tend to be dragged along by the needs to 'create jobs' which of course they are not designed to do. We must hope that the economy's strength will raise general wages sufficiently to make the living wage target less damaging; and also that the Low Pay Commission will be allowed to review the 'first-shot' target for this Living Wage by 2020. Often calmer counsels prevail in the end. If so the demonstration of Conservative 'heart' will work, without any permanent damage to the economy.

Monetary policy needs to be tightened and where the US goes the UK will follow

Panic over China will subside and should not out off rate rises

Rates should be raised though it may be unlikely near term

Turning to monetary policy, we can finally see some hard-headed ideas prevailing. The US has announced it will raise rates fairly soon. The Monetary Policy Committee has made similar noises finally; it will not be able to ignore US policy given the close connection of the UK to the US economy. As the world economy warms up over the next three years, world real interest rates will rise and inflation will return to 2%. Interest rates will probably get back to 4-5% by the end of that time.

Unfortunately at present there is a panic over China's problems. Yet a China that grows more slowly in order to address its internal problems does not mean that the world will go into recession. On the contrary it releases resources that can encourage growth elsewhere. Commodity prices being low and even continuing to fall in some cases act as a stimulus to growth; input costs fall, profits rise in a wide range of enterprises, and new investments will result. Yet policymakers, ever reliving the recent past, are calling for more monetary stimulus as well.

It does appear that the latest panics will put off the raising of interest rates yet again. However the dangers of leaving 'QE' assets dormant in central banks have been illustrated by the calls by left-wing politicians such as Jeremy Corbyn for QE to be used as a printing press in place of bond issue. Also there are demands for the bonds held by central banks to be 'liquidated' by central government which owes them. This would hobble future monetary policy since the money printed under QE could never be liquidated; also any printing of more money would amount under these terms to pure fiscal deficit creation. Given these pressures, I believe now is the time for the Bank of England to begin selling off its bond portfolio, with a view to eliminating it over say two years. Leaving it as it is, with a view to letting the bonds run off on maturity, invites an ongoing debate on fiscal profligacy by the back door which we can ill afford to have.

In sum, I would as before like to see interest rates rise, but even though this now seems unlikely in the near future, I would certainly urge an immediate move to reversing QE by the sale of Bank bond holdings into the open market.

Vote by David B Smith

(Beacon Economic Forecasting)

Vote: ¼% rise in Bank Rate.

Bias: To raise another ¼% in November.

Vote and comment by Peter Warburton

(Economic Perspectives Ltd)

Vote: Raise Bank Rate by ¼%.

Bias: To raise rates to 1½% over the next 12 months.

MPC has too much discretion and its decision making process is not robust enough

Monetary policy in the UK continues to operate under a regime of unconstrained discretion. While some members of the MPC speak fondly of normalising interest rates (possibly to levels that are only roughly half their historical average), something always seems to obstruct the path to a decision. The approach of a general election? Best to stay put. Slumping oil prices, dragging down the headline inflation rate? Raising Bank Rate would send a confusing message to markets. Global equity markets relapse? Discretion is the better part of valour.

Lacking a robust decision-making framework, one that considers the international context, the condition of domestic asset, product, labour and capital markets and the monetary situation, the MPC has far too much latitude in its deliberations. De facto, the burden of proof required to convince a majority on the MPC to vote for a policy change is unbearably high. The bias to passivity is reinforced by the choice of specialists rather than generalists to sit on the committee. With the departure of David Miles, there is a distinct absence of strong, independent monetary policy opinions among MPC members.

The burden of proof to raise rates is too high and leads to passivity

Supposing that UK interest rates rise ever again, it is reasonable to suppose that the behaviour of house prices will have something to do with it. Such considerations were far from the minds of the Bank's Monetary Policy Committee at its August deliberations, it seems. A preoccupation with labour market metrics and spurious notions of 'slack' in the wider economy has displaced the traditional anxiety of overheating in the property market. The August Inflation Report was replete with references to the strengthening housing market, but the MPC gave the matter short shrift.

Average quoted mortgage rates have plunged over the past 3 years: 5-year fixers at sub-3%, 2-year fixers at sub-2% and 2-year variable rates at 1.6%. Mortgage rates may have hit rock bottom, but affordability is leaping ahead thanks to the favourable interaction of disposable income growth and depressed inflation. Volumes of mortgage approvals and housing transactions are accelerating and house price inflation is nudging higher again.

Tightness in the housing market should not be ignored

According to the Royal Institute of Chartered Surveyors, new buyer enquiries reached a net balance of more than 20% in July, having been negative 6 months ago. House purchase intentions – the net balance of consumers intending to build or buy a home over the next 12 months – have soared from minus 83% to minus 70% between June 2014 and June 2015, based on the EC survey measure. The last rating at this level was reported in 1992.

As more and more under-35s warm to the idea of home ownership, encouraged by low mortgage rates, rising real incomes and the assistance of the government's Help to Buy equity loan scheme, the shortage of available properties has become acute in many parts of the UK. RICS reports a steep decline in the net balance of new vendor instructions to depths similar to those that prevailed in the crisis years of 2008 and 2009. The ratio of housing stock per surveyor reached a record low of 47 in July, against a typical range in the 60s and a post-crisis peak of 90

Fresh reminders of the perils of equity investing are almost certain to propel even more personal wealth towards the ownership of buy-to-let property. The Council of Mortgage Lenders recently reported a 22% increase in lending to landlords as compared to a year ago (see figure 3). There are suggestions, but no hard data as yet, that April's pension reforms may divert money from retirement pots into rental property ownership. Foreign interest in UK residential property is fanning out from London and the South East as the UK has risen up the global ranks of real house price appreciation over the past year. Among OECD nations, only Ireland and Sweden boast stronger real house price growth. While the MPC can point to the paltry growth of the mortgage stock – around 2% - and the tighter loan underwriting standards that circumscribe aspiring homeowners, this does not preclude an embarrassing house price explosion. House prices are being squeezed higher by marginally growing demand in relation to shrinking supply. The net balance of surveyors expecting house prices to be stronger over a 12-month horizon is over 60%. Prospective vendors are understandably holding their properties off the market in the hope of a better sale price next year.

UK property prices are taking off again, spiked by the heady cocktail of cheap mortgages, reluctant vendors, a still-modest pace of homebuilding and the assurance of no radical taxation changes under the new Conservative government. Home-buying intentions among the under-35s are soaring to their highest levels for 15 years as prospective buyers race against time to lock in deal-of-the-century mortgage rates and to take advantage of the broader provisions of Help to Buy. House price acceleration may well return with a vengeance over the next 12 months to upset the MPC's calculations.

Time to raise rates as the economy regains momentum

As the UK economy regains momentum after its pre-election lull and as house prices surge forward again, now is the time to bite the bullet and raise Bank Rate, initially by 0.25%, towards an interim objective of 1.5%. expectation that rates will continue to rise over the coming year to 1.5%.

Vote and comment by Trevor Williams

(Lloyds Bank & Derby University)

Vote: Hold.

Bias: Neutral.

The point at which rates need to rise in getting closer but is not yet here

The point at which rates have to rise is getting closer, but has not have yet arrived in my view. Although the UK economy is 5.2% bigger than it was it before the crisis started, it has only grown by an average of 0.8% per annum in the six years since that time. That is hardly inflationary, and so it has proved with regards to actual inflation measured across prices and wages. Headline consumer price inflation (CPI) over the 12 months ended July 2015 was 0.1%. CPI inflation, excluding energy and seasonal foods, over the same period was 0.6%. These are not inflationary numbers. And not numbers that seemingly should have led the Monetary Policy Committee (MPC) raise interest rates, which of course it has not. That said, however, monetary policy is supposed to be forward looking, with the change in policy not having its full effect on inflation until two year hence, so a rate rise could have occurred because of that. But sterling strength combined with falls in oil and gas prices suggest that CPI inflation - headline and core - will fall further in the months ahead not rise.

Money supply data do not suggest an inflationary environment

Money supply growth in July 2015, at 0.6% year over year on the headline measure and 3.7% on the M4ex basis, is hardly inflationary. Below the headline number, the detail shows that lending to individuals by bank and building societies is rising by 2.2% year over year. Lending to private sector non-financial companies was down by 0.3% year over year. Secured lending to individuals is up 2% in the year. Non-secured was up by 7.5%, whilst lending to unincorporated private nonfinancial firms and households was down by 2.8%. These numbers do not suggest that households or business are excessively borrowing or that banks are excessively lending. Nor do there growth rates seem inflationary. Growth in consumer spending has come primarily from the growth in the numbers employed, only partly due to the rise in net migration, and not from borrowing. This implies that it can be maintained for longer, with lower inflation and so lower interest rates.

Bank of England inflation forecast have been consistently too high

If we look at two year ahead inflation forecasts from the Bank of England Inflation Report (I have taken February 2014, May 2014, August 2014 and November 2014), they have been consistently wrong and consistently in the wrong direction, overestimating inflation every time, by larger margins. The experience of those countries that have raised rates in the last few years is

Economy has been in a low inflation mode

that they have had to cut them. Bank of England forecasts suggest that had it acted on them, it too would have had to reverse all or some of the rise, or even cut by more.

A variety of factors over the next few years support low inflation

The world economy appears to be in a low inflation environment. It seems to be moving back to the old norm, of falling or stagnant prices rather than the experience of the period of the Late 1960s or 1970s to the end of the century, a period both of high credit creation and increasing prices. Leading this return appears to be technology, open markets, an end to excessive credit creation and widespread information accessibility both for firms and consumers.

Perpetuating this trend over the next few years will be weak growth in emerging economies, and supply side innovations, keeping down prices of a range of traded goods and services. Output gap based inflation analysis seems to be getting it consistently wrong. Here is one reason why: in the UK, the supply side has been expanded by innovation but also by migration. The supply of labour has increased even as unemployment has fallen. Here is another reason, technology and information sharing and access hitherto unprecedented in human history is getting ideas quicker to market, allowing more economies of scale and keeping down costs. This at a time that consumer and business price discovery has increased, so keeping down inflation. Indeed, the new norm is that, especially real terms, prices are falling, and falling fast. It is also allowing people to harness their human capital outside of established business structures, thus allowing greater productivity to be unleashed, and benefiting them and consumers. This 'gig' economy is expanding at a faster pace. New firms are being established, displacing and disrupting old firms, offering both old services and products at lower prices but also new products and services at low prices. This environment seems here to stay (eg. Uber, peer to peer lending, crowd funding, etc.).

The world is returning to the old normal of low inflation and stagnant prices

Much of this appears in the services sector, (though not all of it). It is noteworthy that this sector is the one where output is 9.4% higher than its previous peak, and responsible for the overall recovery in UK output. Construction output is 3% lower than its pre-crisis peak, manufacturing is 4.7% lower and oil and gas output is 32.2% lower. This suggests that we are not on the verge of an inflation breakout.

More recently, where pay is rising productivity seems to be rising too, so keeping a lid on wage inflation impacting the wider economy. Think of the way that information technology and new ways of working have expanded supply and productivity, in ways that official statistics are not measuring or keeping pace with (though the recently announced review of the ONS is tasked to look at exactly that).

We have time to wait before raising rates

In other words, it does not yet seem quite the time to raise rates in my view. I would leave rates on hold for now, and keep a watch on all aspects of price trends, asset prices included, and inflationary developments.

Policy response

1. On a vote of five to four the committee agreed to raise Bank Rate at 0.5%.
2. Four members voted to hold rates. Of the five that voted for an immediate rise, four members voted for a rise of ¼%, and one for an increase of any size.

Date of next meeting

Tuesday, 13th October 2015

Note to Editors

What is the SMPC?

The Shadow Monetary Policy Committee (SMPC) is a group of independent economists drawn from academia, the City and elsewhere, which meets physically for two hours once a quarter at the Institute for Economic Affairs (IEA) in Westminster, to discuss the state of the international and British economies, monitor the Bank of England's interest rate decisions, and to make rate recommendations of its own. The inaugural meeting of the SMPC was held in July 1997, and the Committee has met regularly since then. The present note summarises the results of the latest monthly poll, conducted by the SMPC in conjunction with the *Sunday Times* newspaper.

Current SMPC membership

The Secretary of the SMPC is Kent Matthews of Cardiff Business School, Cardiff University, and its Chairman is Trevor Williams (Lloyds Bank Commercial Banking and Derby University). Other members of the Committee include: Roger Bootle (Deloitte and Capital Economics Ltd), Tim Congdon (International Monetary Research Ltd.), Jamie Dannhauser (Ruffer), Anthony J Evans (ESCP Europe), John Greenwood (Invesco Asset Management), Graeme Leach (Legatum institute), Andrew Lilico (Europe Economics and IEA), Patrick Minford (Cardiff Business School, Cardiff University), David B Smith (Beacon Economic Forecasting), Akos Valentinyi (Cardiff Business School, Cardiff University), Peter Warburton (Economic Perspectives Ltd) and Mike Wickens (University of York and Cardiff Business School). Philip Booth (Cass Business School and IEA) is technically a non-voting IEA observer but is awarded a vote on occasion to ensure that exactly nine votes are always cast.



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