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The Tories should appoint a Bank Governor to box in Jeremy Corbyn

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If President Donald Trump had the opportunity to fill a Supreme Court or Federal Reserve vacancy just before an election, do you think he'd pass it up? The answer, of course, is “absolutely not”.

Distasteful though it might seem, Washington Republicans are not shy in discussing how speedily they'd replace Democratic-appointed Justice Ruth Bader Ginsburg in the event of her near-term death or retirement.

And that's because they understand something important: the executive power of appointment to high-powered institutions is an important tool in conserving your agenda or constraining your opponents' impulses, even after you've left office.

Do Conservatives understand this?

With Remainers in Parliament seeking to block, delay, and frustrate its every move on Brexit, one would hope Boris Johnson's government had learnt a thing or two about constraints. But reports suggest the Chancellor Sajid Javid will actually delay appointing a replacement for Bank of England Governor Mark Carney until after an election, in part because another government might not like the appointee.

The Tories, it seems, are playing by Queensbury Rules in a hostile world of “anything goes”.

This would be a missed opportunity in ordinary times. But the whole justification for an independent Bank of England is to insulate monetary policy from clear political risks, the biggest of which is surely giving Jeremy Corbyn and John McDonnell the power of appointing a radical new Governor.

That's what makes the reasoning for the Governor appointment delay so baffling.

Kate Barker, a member of the independent appointment panel, has said that, given ongoing events and the eight-year term, any appointment must be “politically sensitive” – i.e. robust to a change in administration. Other journalists have claimed that Javid hurriedly replacing Mark Carney would “risk” a new Corbyn government firing the appointee.

That risk, though, is a trivial one in the grand scheme of things. Economic policy is the area of Government activity where politicians frequently mess up with disastrous consequences.

Corbyn and McDonnell's long-desired socialist agenda has an economic record of failure so obvious and so blatant that their views are seemingly impervious to facts, experience or reasoning. And the institution with arguably the greatest impact on the economy of the UK is the Bank of England. Far from being a "risk" to political decency or the institutional credibility of the Bank of England to appoint a Governor before polls are cast, that context makes it the Conservatives' patriotic duty to do so.

Labour's plans for the Bank of England are clear. A report they commissioned last year explains how the Old Lady of Threadneedle Street would be mandated to use monetary policy to target a long run annual target of 3pc productivity growth or more.

Economists generally see monetary policymakers' role as trying to dampen the business cycle of boom and bust by targeting a future inflation rate. The aim, in other words, is to avoid massive volatility of output through delivering price stability. Yet Labour want to tear that up, returning to a pre-independence era where central banks try to chase higher growth beyond the economy's potential, risking spiraling prices.

Worse, Labour effectively want the Bank to start tilting the deck explicitly by allocating credit across the economy.

Such a broadening of its remit would, of course, facilitate huge crony capitalism, massive resource misallocation, and undermine the Bank's clear current focuses, all at the same time.

But we shouldn't be surprised about this radical agenda. At one stage, Corbyn and McDonnell even flirted with the idea of people's QE – allowing the Bank to print money to directly finance public infrastructure projects.

Now, it's true that Parliamentary legislation sets the remit and mandate of the Bank. To that extent, the Bank is indeed democratically accountable.

But the reason the Bank appointees are then given tools to go away and do their job, insulated from day-to-day "democratic control", is to stop policymakers pressuring them to ramp up unsustainable growth for electoral purposes. By and large, this has worked: inflation has been much better anchored since the Bank's decisions have been stripped away from political control.

All this means the Tories' reticence to appointing a Governor is hard to fathom. Why not select someone now, of conservative disposition but independent-minded, who buys into the current remit, and who would stick to the mandate through any choppy Corbyn or Brexit seas? What exactly is the downside here?

Suppose Corbyn won the election. We would see a likely adverse market reaction and a plunging pound. The country would require a competent Governor in place to deal with any initial disruption and uncertainty.

As Corbyn's agenda was rolled out, an independent-minded person might find him or herself later having to curb excessive credit creation by new public banks and government mandates. Such a voice, imbued in the current framework, would also likely do a public service in engaging

in robust debates with the executive about changing the BoE's operating framework, and would be unlikely to meekly accept a new, unjustified economic target without a fight.

Now, Corbyn of course could pass legislation to change the Bank's mandate. At his most extreme, he could fire the incumbent Governor explicitly straight after an election victory, to avoid these clashes. But markets would then pass judgment on the decision to jettison Bank independence and engage in its explicit politicisation. The Conservatives, at worst, would merely have set an additional constraint against a radical Corbyn overhaul of the Bank.

Given Labour's intentions, it seems bonkers for the government to spurn appointing someone in case Corbyn might then want to sack them. In fact, it's difficult to think of a better reason to get a sensible head in now.

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