We need change at the Bank of England

I look forward to new leadership at the Bank of England. The current leadership allowed their independence to be tarnished by one sided interventions in the referendum. They compounded the error by making absurdly pessimistic forecasts of house prices, output and unemployment for the short term after any Leave vote. In this they followed in the long unfortunate tradition of the Bank in always recommending and supporting EU policies that were damaging. The Bank's worst error was recommending UK membership of the European Exchange Rate Mechanism in the 1980s which led to a slump and the long term defeat of the Conservative party which accepted the advice.

The new Governor should have to answer three basic questions about the task ahead:

1 Why is the Bank of England tightening money so markedly when all the other main Central Banks are loosening to stave off the world economic downturn?

2. What action should the Bank take to promote UK growth, given the bad slowdown now experienced?

3. When will the Bank think through the flattening of the Philips curve and the move from national to global capacity, issues which undermine the current basis of assessing interest rates?

I spoke about this yesterday in the Chamber. I did not have time to develop the issue of what the Bank should do to stimulate growth. Some say Central Banks have run out of options with rates so low and QE so large from past programmes. I do not agree. CBs have a huge range of instruments and options to boost activity.

They can cut rates, run Funding for lending programmes, operate LTROs, intervene in money markets, intervene in bond markets, use repo markets, issue new guidance, change banking ratios.

There are two basic ways of stimulating growth. One way is to expand the Central Bank's balance sheet by QE or money market interventions. The other is to expand commercial banks balance sheets by reducing capital ratios, relaxing lending controls or by open market operations.