

Shadow Monetary Policy Committee

29 January 2020

Shadow Monetary Policy Committee votes unanimously to Hold Bank Rate in February and Warns of upside risks to inflation, arising from a post-COVID boom.

In its meeting of 12th January 2021, held by video-conference due to ongoing COVID-19 restrictions, the Shadow Monetary Policy Committee (SMPC) elected, by a vote of nine to zero, to hold rates in February. There was unanimity that the announced programme of additional QE was a mistake, and no further QE should be undertaken. There was a majority view that QE should be reversed once the recovery takes place.

There was a widespread view on the Committee that the outlook in the post-COVID period is very growth-positive and that there is potential for this to overspill into inflation. It was noted that this was true from all standard perspectives: monetary (with unsustainably rapid monetary growth, including internationally), Keynesian (with very large fiscal stimulus) and supply-side (with the post-COVID period combining pent-up demand with limits on the supply-side's ability to expand rapidly enough to accommodate it). There was concern that excessive pessimism from policymakers regarding the post-COVID period, though understandable in itself, might now be mis-timed if vaccination programmes are as successful as hoped.

Without disputing the above points, other members noted that, even in the immediate post-COVID period but certainly further ahead, there are challenges with debt overhangs for both the public and private sectors and the risk of discontinuities and defaults in the recovery period.

The above debates notwithstanding, however, the Committee agreed that policy should not change immediately.

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.

For Further Information on the Content Please Contact:

Andrew Lilico + 44 (0) 7886 711735 andrew.lilico@europe-economics.com

Trevor Williams + 44 (0) 7841 497791 trevor@trevorwilliams.website

Julian Jessop + 44 (0) 20 7798 60192 jjessop@iea.org.uk

Minutes of the meeting of 12 January 2021 (Held by Video Conference)

Attendance: Philip Booth, Roger Bootle, Tim Congdon, John Greenwood, Julian Jessop, Graeme Leach, Andrew Lilico (Chair), Kent Matthews (Secretary), Patrick Minford, Peter Warburton, Trevor Williams.

Apologies: Juan Castaneda, Jamie Dannhauser

Chairman's comments: Andrew Lilico welcomed the members to the online conferencing meeting of the SMPC. He said that Jamie Dannhauser was scheduled to present his analysis of the monetary situation but had been called away at short notice and is unable to attend. He said that he would present the analysis based on the slides sent to him by Jamie.

The Agenda

The slides produced by Jamie Dannhauser showed that he intended the presentation to be in the following order. First, UK output demand and employment, Second, UK inflation and other nominal variables. Third, the global economic situation, Fourth, virus protection and the vaccine. Fifth, the judgement about the economic and inflation outlook.

The UK Economy

Large GDP drop but, wide sectoral variation.

The first presentation slide showed the monthly GDP chart. It showed that real GDP in October was estimated to have fallen 8% below its January 2020 peak and 10% below the pre-recession path. But, there has been unprecedented sectoral variation. Sectors that have traditionally been hit hardest in recessions (goods related activity) has rebounded most aggressively since the Spring. Whereas, labour intensive sectors, such as consumer services, that are largely unaffected in normal recessions, have suffered an unprecedented shock. Data from the USA shows the same pattern where one-quarter of the consumer economy has seen a 10% drop in the the year to November, but 30% of the consumer economy is up 10%, highlighting the remarkable dispersion in aggregate demand.

Google mobility reports indicate the decline of economic activity.

UK output is down in Q4 and Q1 of 2020 but an indicator of by how much can be measured from Google mobility reports which provide information on how far economic mobility has fallen through the 2nd and 3rd lockdowns. However, the fall is not as severe as the first lockdown. Journeys by heavy goods vehicles have fallen 20% in December, but also reflects seasonal and Brexit factors. In contrast, holiday spending was strong. Data based on hundreds of millions of consumer transactions by Fable Panel has shown that holiday spending has remained resilient compared with the previous year.

UK inflation and underemployment

Core inflation is well below target. The preferred measure of core inflation is down 60bps since the start of 2020 and on a clear downward trend since the post-referendum peak in early 2018.

Limited slack in jobs market

Headline jobs data is encouraging. The UK underemployment rate measured as unemployed plus part-time workers wanting full-time jobs plus inactive workers wanting full time jobs, suggest only a limited rise in slack. But furloughed workers count as employed in the LFS, and 10% of the workforce are currently furloughed.

The Global economy

surge in global shipping costs...

Andrew Lilico said that Jamie Dannhauser's notes emphasised that this was a very odd recession. In contrast to past global shocks, there has been a sharp rebound in consumer goods trade with imports to advanced economies 10% above its pre-covid level accompanying a surge in global shipping costs. The Drewry World Container index has seen a threefold increase in the global cost of shipping consumer goods since mid-2020. This is also matched with a 20-30% increase in commodity prices in the past 12 months.

The Pandemic

A grim few weeks ahead...

Turning to the issue of the pandemic, Andrew Lilico referred to the slides of charts with some of the grim features of the infection. The charts of Covid hospitalisations and deaths suggest a distressing few weeks ahead. The NHS is under significant strain, specially London. The rise in Covid related deaths means that politically the lockdown is not going to be eased for some weeks.

Against the popular narrative this wave is less deadly

Andrew Lilico said that although the 7-day average death rate is rising, here Jamie Dannhauser is asking whether the tide has turned. Tentative evidence suggests that Covid-19 cases are growing slower. The positive PCR testing rate has fallen significantly in recent days. The slides also show that the relationship between hospitalisations and deaths has weakened suggesting that the current wave is less deadly. Partly this may be due to the NHS getting better at treating people.

The year 2020 was the highest for excess deaths since 1940 but the vaccination programme is well under way. The government has stated that they are on target to vaccinate the key groups by 15 February. Some analysis by Goldman Sachs on the progress of the vaccination programme suggests that half the UK population will have its first vaccine dose by April. The analysis suggests that herd immunity could be reached by summer 2021.

The Outlook

Irrational exuberance.....

Andrew Lilico said that Jamie Dannhauser speculates as to the structural changes the post-Covid economy will experience. He poses the issue of a post-Covid inflationary boom. The Covid recession was not a traditional aggregate demand shock. In his view, the conventional wisdom as outlined by the World Economic Outlook 2020 of lasting structural changes is an incorrect view seen through the lens of the 2008 global recession. What Jamie Dannhauser sees is a vast money-financed fiscal expansion during the downturn. There has been extensive forced savings by the consumer population, so that once normal economic activity resumes there might be a period of irrational exuberance.

Just-in-case rather than just-in-time...

He suggests that will be a shift towards online e-commerce spending. He has a chart that shows e-commerce spending rising to 30% of sales pre-covid but then accelerating to 60% in the lockdown. He raises questions about how widespread the shift in working patterns will be? How much urban centre commercial real estate will remain viable? How big will the regional shift in the desired housing stock be? How far will global supply chains shift towards 'just-in-case' rather than 'just-in-time'? How balkanised will tech supply chains become as the Sino-US chasm deepens?

Broad money growth fastest since Lawson boom...

The Delloitte CFO survey shows that large firms are bullish about the next 12 months. Broad money growth is the fastest since the Lawson boom amidst a vast credit extension to UK SMEs. The UK government's bounce back loan scheme has shovelled unprecedented amounts of credit to the SME sector. Politically it may not be possible to recover all this debt which will be converted into grants.

Unprecedented
fiscal expansion
globally...

Banks have lent nearly £70bn in the UK since May. Fiscal support has amounted to 10% of GDP. Globally there has been an unprecedented fiscal expansion augmented by huge support for credit supply. Country after country has announced extensive backing to corporate credit.

Monetary policy
not the most
appropriate tool...

Goods producers and sellers have very low inventories. The indicator of inventories along the supply chain show that inventories are below the desired level, to an extent not seen since the mid to late 1980s. So goods prices could rise rapidly as we come out of the pandemic.

In conclusion, policy makers have incorrectly viewed this recession through a traditional aggregate demand lens. Monetary policy can help create a bridge to the other side of the pandemic but it is not the most appropriate policy tool. There is a risk that a widespread vaccine deployment unleashes the stock of forced savings with a burst of animal spirits in the second half and beyond. In a supply-compromised, demand-energised economy, the risks to inflation are skewed to the upside. The case for emergency monetary policy is weak.

This was the final slide from Jamie Dannhauser, and Andrew Lilico invited comment from the participants.

Discussion

Household
exuberance is
perfectly rational

Roger Bootle said that he had considerable sympathy with the risks Jamie Dannhauser was alluding to. He said that there is a lot of pent-up spending power in the household sector and that he did not understand Jamie Dannhauser's reference to irrational exuberance when the economy comes out of the pandemic. He said that the exuberant reaction of households would be perfectly rational. Admittedly there are supply side problems which will not help to resist inflationary pressures. Additionally, there is policy. The Fed has made it clear that they do not intend to resist inflation by pushing up interest rates even if inflation goes above the target. He said that he could see that happening in the UK. There is a good chance of a burst in inflation but the issue is a matter of timing. He said that next year is when he thinks that inflation will be seen.

Inflation in 2022
higher than in
2021

Tim Congdon said that money growth in the USA is higher than in the UK. Annualised growth rates in the second quarter of 2020 reached 80-90%. He said that the annual growth of broad money reached a peak of 26%. We will have 18 months where broad money will grow by over 20%. There is no historical precedent for that kind of growth without inflation following. Tim Congdon said that a cautious expectation is for inflation of over 5% in the USA, UK, and Eurozone, at some point between now and 2022. He said that he would not be surprised by double-digit inflation in the USA. The caveat is the sudden change in policy which he could not rule out. He added that commodity prices had jumped 20% in the space of two months to November. This will be coming through to producer prices and the shops in the first quarter of 2021. He said that inflation in 2022 will be higher than in 2021 but there will be some bad inflation in 2021.

Real theory of
inflation

Patrick Minford said that he agreed that there will be substantial inflation. He said that the irony of it is that the policy community would like to have some inflation. The whole pressure of policy is to get some inflation. Actual inflation is well below its target. The policy authorities would like the economy to move closer to the inflation target which means creating some inflation. What is going around official thinking is a real theory of inflation, that is inflation occurs when demand is a lot higher than supply. That is not a monetary theory of inflation at all. Policy makers don't subscribe to Tim's or Jamie's view about money supply trends. He said that he was pessimistic about what policymakers are going to do. It is inflation that will prompt a change in policy but that response will lag inflation. In terms of what policy should be, he said that he would recommend a reversing of QE as soon as the prospect of lockdown ending and close to the vaccination completion. Then, interest rates should be raised pre-emptively.

...no public support for normalisation of fiscal policy

Peter Warburton said that he had a strong sense that there would not be public support for a normalisation of the public finances, such as occurred after 2009. The government will remain under pressure to bolster public sector pay and programmes, as against the public sector pay freeze that was implemented after the GFC. It is also different from a post-war situation as after WW2. Rather than an acceptance that public sector wages and costs need to be held down, there will be intense lobbying for rewards in the April public sector pay settlements to acknowledge the sterling efforts of the NHS, teachers, etc. The political economy around deficit reduction has changed. The risk is that budgetary control evaporates in the context of QE offering a blank cheque for its funding. The question is, when does that affect the willingness of institutional investors to hold Gilts?

Extra QE a mistake.

Tim Congdon said that the SMPC is pretty much in agreement about the situation and the policy reaction up to the point of the second lockdown with the announcement of an extra £150bn QE. He said that this was a stupid thing to do and that he agreed with the ending of QE. However, the question is whether we should be reversing it. He said that he is in favour of reversing this additional QE. Raising interest rates is another matter. There are many businesses that are flat on their backs and need time to adjust but the second batch of QE was a total mistake.

Andrew Lilico asked for clarification. Was Tim Congdon arguing for a reversal of QE as soon as the economy emerged out of the lockdown – early March? Tim Congdon said that asset purchases should be stopped straight away. There is still some to come through. Reversal should be on a mild scale to start with. The issue is when do the banks start to lend to the private sector and return to normality. It may be that we shall see a surge in credit growth to the private sector. Gilts should be sold at the long end to mop up that money.

...optimism of free markets...economy springs back to life.

Julian Jessop said that he wished to make two observations. He said that as a group the SMPC is generally more positive than the consensus. He said that he was struck by the downbeat tone of the FT Survey of 100 Top Economists. Most of them were pessimistic about the economy getting back to normality in the coming years. He said that he was sure that most of the surveyed economists would be supportive of more monetary and fiscal policy support in the mean time. The SMPC is an outlier. The second observation was that the optimism seems to be coming from different directions. There are some that can be described as Monetarist and focus on the monetary stimulus. There are others of more Keynesian thinking that focus on the fiscal support in place. Julian Jessop said that while he is in agreement on both, he is also optimistic about free markets. He said that when the brakes are lifted by the government we will be surprised how quickly the free market springs back to life. The retail sector has remained resilient as shoppers have switched from physical to online shopping. There are other examples that support the view that the economy will rebound faster than people anticipate. Unemployment will remain low, although flattered by the furlough scheme. However, it is not just the furlough scheme. Other countries have the equivalent of the furlough scheme but we have had fewer job losses. This is because we have a flexible labour market and are good at creating new jobs to replace lost ones. Employment surveys show a pretty strong labour market. For all these reasons we are going to be pleasantly surprised about how quickly the economy recovers this year. All this makes it hard to justify monetary stimulus. He said that he was disappointed with the tone of the comment coming out of the real MPC with talk of negative interest rates and stepping up QE. He said that he was in favour of a tightening as and when the evidence shows that the vaccine will ease the brakes on the economy.

Andrew Lilico asked what Julian Jessop is recommending for policy. He asked if Julian Jessop agreed with Tim Congdon that there should be no additional QE now. Julian Jessop said he would continue with the existing programme of QE

because to reverse would be interpreted by the market as premature. However, there should be no additional QE and no cutting of interest rates.

...QE this time has resulted in money in the hands of the public

John Greenwood said that the reason why officialdom does not see danger is because they have in their mind what happened after the global financial crisis. Massive QE did not translate into an increase in broad money. There was an increase in money on the balance sheets of the central banks but not money in the hands of the public. The reason is that they imposed higher capital requirements and other restrictions on bank lending. This time it is quite different with rapid growth of money in the hands of the public. This is the same in the USA as well as here in the UK, but less so in the Eurozone and Japan.

High debt ...drag on economy...low productivity growth.

Philip Booth said that there is one other reason why the policymakers are not worried when they look at the data. The reason is that we have spent 40 years trying to get inflation expectations down. It was not until 1997 that inflation expectations were pinned to the target. Because there has been a long period of low inflation expectations, that view will only change when there is a shock to inflation. He said that on the issue of optimism of the economy, he was very pessimistic about the economy. The government debt overhang, high levels of government spending, and a highly regulated financial sector makes him worried for the growth of productivity. Even if the economy returns to the pre-Covid level, productivity will be very low.

Surge in money supply, animal spirits and consumer exuberance

Graeme Leach said that he agreed with what has been said. There is the surge in money supply, animal spirits and consumer exuberance which will all come through. He said that monetary policy cannot be operated on the basis of a potential banking crisis. We have to operate on the facts as they are. The fact is that we have a 14% broad money growth in the UK and high money growth for some time. So there has to be a good argument as to why this will not result in significant inflation. There is an interesting question about the timing and how that affects the policy response. He said that he was uncertain about whether QE should be reversed immediately or a little later.

The people that have excess money drive asset price inflation

Trevor Williams said that while he agreed with much of what has been said, he said that goods price inflation has not reacted, only asset prices had. Record increases in bond values and shares are reflective of the QE and money printing that is going on. Over the long term there will be a massive level of debt, both government and household. When we talk about ample household savings, we are not talking about people on average pay packets. There is a cascade of bad debts - alongside higher unemployment,- coming that will constrain consumer spending for some years. The people who have derived the benefits of excess money creation don't drive goods price inflation. They drive asset price inflation. There is a question about whether the latter is creating the genesis for the next crisis. But a weak recovery and ample spare capacity for some time means this won't leak into consumer price inflation in anything but for a temporary period

Votes are recorded in order they were given.

Comment by Roger Bootle

(Capital Economics)

Vote: Hold Bank Rate. No additional QE.

Bias: to tighten.

Roger Bootle said that there should be no more QE and in a small way a reversal, to give a signal to the market. The difference in thinking between what the authorities and the markets think, and what this committee thinks is remarkable. He said that it did not matter if you were a Monetarist or Keynesian the figures are alarming which ever view you take. Therefore, he said he did not understand the

reaction of the establishment. If we are right, there will be a strong adjustment in the next few years. He said that it would be good to start down that road with a bias to tightening.

Comment by Patrick Minford

(Cardiff Business School, Cardiff University)

Vote: Hold Bank Rate. Bias to reverse QE

Bias: to raise.

Patrick Minford said that he agreed with Tim Congdon that there should not have been this extra tranche of QE, but he also agreed with Julian Jessop that to reverse it would give the market awkward signals. He said that as soon as the economy starts to show signs of life again, which will be sooner than later, then there is a need to stop QE, and then reverse it, and then get ready to raise interest rates.

Comment by Tim Congdon

(Institute of International Monetary Research, University of Buckingham)

Vote: Hold Bank Rate

Bias: No further QE

Tim Congdon said that the policy of an extra £150bn in QE was wrong. QE needed to be reversed but raising interest rates now would be unsafe.

Comment by Julian Jessop

(Independent Economist)

Vote: Hold Bank Rate.

Bias: To tighten.

Julian Jessop said that there should be no change to interest rates and that QE should be continued as announced. He said that he had a bias to tighten.

Comment by Graeme Leach

(Macronomics)

Vote: To Hold Bank Rate

Bias: Reverse QE once lockdown begins to lift in Q2 2021

The latest 12-month inflation rate on the CPIH measure fell to 0.6 percent in November from 0.9 percent in October. Lockdown induced falls in output mean that the UK economy is likely to be now back in recession with two quarters of successive negative quarterly growth in 2020Q4 and 2021Q1. Combined with the risk of a spike in unemployment in 2021Q2, following the end of the furlough, this is not the backdrop against which one would expect rising inflationary pressure. However, the inflationary pressures in the system are greater than at any point since the death of inflation in the 1990s. The cause of the soon to be seen resurrection of inflation, in late 2021 and then into 2022, is the surge in broad money supply growth in the UK. Latest figures for the Bank of England's M4x

measure of the broad money supply show a 12-month growth rate of 14 percent in November.

Broad money growth of this order of magnitude suggests double digit growth in nominal GDP at a time of weak real GDP growth - the gap is inflation. Even allowing for a post lockdown, successful vaccination programme impetus to the economy, money growth on this scale will inevitably flow into rising inflation, albeit with a lag. The UK of course is not alone in this monetary surge. 2020 saw record peacetime growth in the broad money supply in the US, and an acceleration in the Euro-zone and Japan also. Thus far the monetary stimulus has found an outlet in asset and commodity prices, with the feed through to goods and services inflation likely to be the dominant economic story later this year and next.

The resurrection of inflation is likely to be encouraged also by the nature of the post-Covid-19 economy. The UK household savings ratio was around 8 percent at the end of 2019, before exploding to 27 percent in the 2020Q2 and falling back to 17 percent in 2020Q3. The second and third lockdowns at the very least will have only permitted a moderate further reduction, and it is quite possible that the 2020Q4 figure, when published, could show no fall or a rise even. This suggests there is a 'wall of money' which could be drawn on later this year. Off course, there are no certainties here. Some continuation of consumer caution and saving for a rainy day – for example, a mutation of the virus against which current vaccines are less effective - might be expected to prevail, at least in part. A degree of consumer caution is also likely to be encouraged by the ending of the furlough.

Notwithstanding these influences however, the big story later this year and in 2022 will surely be the resurrection of inflation as too much money chases too few goods and services.

Comment by John Greenwood

(Invesco Asset Management)

Vote: Hold Bank Rate.

Bias: To stop QE.

John Greenwood said interest rates should remain on hold and QE should not be reversed now. The Bank should signal some recognition that money growth is far higher than it should be. Money growth should be in the range of 5-10% and right now it is up to 14%. There is no reason for any more QE, and as long as broad money is growing adequately policy should shift away from QE as soon as possible.

Comment by Peter Warburton

(Economic Perspectives Ltd)

Vote: To Hold Bank Rate. No additional QE.

Bias: No bias

Peter Warburton spoke of his misgivings about the UK real economic outlook for the next few years. While in the short run, say over the next 6 months, there could be a rapid 'melt up', reminiscent of the Barber boom of 1973-74, he expected this to burn out quickly. Presuming that the vaccines get ahead of the virus, as expected, then the stage is set for a brief inflationary boom. The danger is that the inflation persists despite the ending of the growth spurt. The government will have this one brief opportunity to collapse the budget deficit, from near 20 per cent of GDP to around 10 per cent. There are clear risks that growth could turn negative

in 2022-24. He said that he saw no argument for a rise in interest rates now but agreed with what has been said about QE. The programme should continue with the acknowledgement that the additional tranche was a mistake. The Bank should give immediate guidance that it will not be extended.

Comment by Phillip Booth

(St Marys University)

Vote: To Hold Bank Rate.

Bias: To reverse QE

Phillip Booth said that policy makers are making a serious mistake. He said that he agreed with what Tim Congdon had said and suggested a collective letter be drafted to represent the view of the Committee.

Comment by Trevor Williams

(University of Derby, St Mary's University, and TW Consultancy)

Vote: Hold Bank Rate

Bias: Bias to reverse QE by not refinancing maturing bills.

Trevor Williams said that interest rates should be kept on hold and it is too early to unwind QE presently. But it should be unwound as soon as it can be done while holding Bank rate. I am less worried about price inflation beyond the two-year horizon because of the weakness of the economic recovery over a five-year period. Trend UK growth is likely about 1¼% or so a year presently, looking at productivity and labour force trends. A negative output gap will be around for several years, owing to a slow pace of economic recovery except for 2021 and 2022 when growth will be quite fast. Beyond that, a negative output gap will keep down the rate of price inflation in the next 3 to 4 years. It will be aided by low price inflation expectations, fragile consumer and business confidence and a slow pace of economic recovery. However, a temporary rise in the pace of inflation is likely, possibly in 2021/22 or 2022/23

Comment by Andrew Lilico

(Europe Economics)

Vote: To Hold Bank Rate.

Bias: To reverse QE after the end of lockdown

Andrew Lilico said that with the end of the lockdown there will be a considerable boom. People are likely to engage in luxury type expenditure, partly because it was deferred and partly celebration. That may apply less to durables spending, however. There will be adjustment to a new world of online shopping. Looking to the longer term, there will be a loss of retail activity as well as fewer visits to city centres. This adjustment may not be painless. He said that he was tempted by the idea of no further QE, but he does not want to give any bad signals in the short term. He said that we should carry on with the current commitment until we get to the end of lockdown. Once we get into March-April we can start to reverse QE and get bond yields back to at least zero.

Comment by Kent Matthews

(Cardiff Business School, Cardiff University)

Vote: To Hold Bank Rate.

Bias: to gradually reverse QE when the lockdown is ended and a bias to raise rates in small steps.

Kent Matthews said that he agreed with everyone else on interest rates. Nobody advocates a rise in interest rates at this point. He said that he was pessimistic about a swift recovery. While large companies might be bullish many small businesses are finding it very difficult to survive. It is not that they do not have enough finance. They have the credit, but this credit is not going in to building or maintaining capacity, it is going into surviving. If these debts are not converted into grants by the government and or the banks do not write them off, these debts will result in bankruptcies and capacity destruction. A lot of small business capacity will have contracted just when the rest of the economy is in a spending boom. It will take time to rebuild capacity even for services. So, inflation is the natural outcome. On the issue of the interpretation of the economic trends, what the economy is experiencing is purely Monetarist. QE is one part, but the furlough scheme is Friedman's helicopter money which is purely Monetarist. He said that he agreed with the comments made by Tim Congdon about the additional QE, but he was unsure as to when QE should be reversed. Should it be at the end of lockdown or when inflation starts to take hold? On balance he felt that a signal must be sent to the markets and QE must be reversed in mild steps after the lockdown is over and similarly interest rates be reversed in small steps.

Any other business

Nine votes will be taken although eleven members attended. In keeping with precedent, the vote of the last two persons to join the meeting will not be counted. This was Julian Jessop and Philip Booth. Their contributions are recorded in the Minutes.

Policy response

1. There was unanimity that interest rates should be kept unchanged.
2. There was unanimity that the announced programme of additional QE was a mistake, and no further QE should be undertaken.
3. There was a majority view that QE should be reversed once the recovery takes place.

Date of next meeting

13 April 2021.

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.

Current SMPC membership

The Secretary of the SMPC is Kent Matthews of Cardiff Business School, Cardiff University, and its Rotating Chairman is Andrew Lilico (Europe Economics) and Trevor Williams (TW Consultancy, University of Derby, St Mary's University). Other members of the Committee include: Philip Booth (St Mary's University, Twickenham), Roger Bootle (Capital Economics Ltd), Tim Congdon (Institute of International Monetary Research), Jamie Dannhauser (Ruffer LLP), Anthony J Evans (ESCP Europe), John Greenwood (Invesco Asset Management), Julian Jessop (Independent Economist), Graeme Leach (Macronomics), Patrick Minford (Cardiff Business School, Cardiff University), Akos Valentinyi (Manchester University), Peter Warburton (Economic Perspectives Ltd), Mike Wickens (University of York and Cardiff Business School), Juan Castaneda (Institute of International Monetary Research and University of Buckingham).