BANK OF ENGLAND

Rt Hon Lord Forsyth of Drumlean
Chair of the Economic Affairs Committee
House of Lords
London
SW1A 0PW

Andrew Bailey
Governor

1 June 2021

Dear Lord Forsyth,

Thank you for your letter of 28 May seeking my response to recent comments by Dominic Cummings concerning the Bank of England and government debt.

The Bank of England is independent in respect of the operation of monetary policy and also the operation of its financial stability objective. Its independence is fundamental to monetary and financial stability in the UK. I don't know what conversations Dominic Cummings had but the suggestion that a temporary revocation of monetary policy independence was considered by some government officials in March 2020 is not something that was ever discussed with – or within – the Bank of England.

As I said at the hearing with the Economic Affairs Committee on 18 May any revocation of the Bank's operational independence, which would also involve the suspension of the objective of maintaining price stability, "would be a catastrophic mistake" as it "would be throwing away nearly a quarter of a century's progress in monetary stability".[1]

Please do not hesitate to get in touch again should you have any further questions as the Economic Affairs Committee prepares its report on Quantitative Easing.

Yours sincerely,

Andrew Bailey

Andrew Bailey
Governor

[1] Q188 in the transcript of the Lords Economic Affairs Committee hearing of 18 May 2021 which is available at https://committees.parliament.uk/oralevidence/2193/html/