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Old Lady, New Bailey

In Andrew Bailey, the Bank of England gets a technocratic new boss

He will have a lower profile than his predecessor, Mark Carney. That may be the point

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WHEN MARK CARNEY was appointed as governor of the Bank of England in 2012, the news was both surprising and, unusually for the staid Old Lady of Threadneedle Street, even a bit exciting. Mr Carney was soon being described by much of the press as a "rock-star" central banker. The confirmation on December 20th that his successor is Andrew Bailey comes without stardust. Mr Bailey is unlikely to enjoy the high media profile of his predecessor. But a solid if unspectacular technocrat with extensive management experience may be exactly what the Bank needs.

Mr Bailey first joined the Bank in 1985 and stayed there until 2016 when he moved to head the Financial Conduct Authority (FCA), Britain's consumer-finance regulator. In his 31 years at the Bank he worked across the organisation, serving as head of international economic analysis, as private secretary to a previous governor, as executive director for banking and finally as deputy governor for prudential regulation and chief executive of the Prudential Regulation Authority, a financial-stability arm of the Bank.

Monetary policy is the most high-profile of the Bank's functions but nowadays far from the only one. The role of the Bank has been substantially enlarged over the decade since the financial crisis to encompass wider financial regulation. The number of staff has ballooned from fewer than 2,000 in 2008 to over 4,000 today and a whole new financial-policy committee has been assembled to run macroprudential policy (the management of risk in the financial system as a whole). The complexity of the organisation can perhaps be gauged by the expansion of senior management from two deputy governors in 2008 to the current four.

The Bank found itself in the news this week after it emerged that a third-party service company was selling the audio feed of its press conferences to some fast-fingered financial traders, giving them an advantage of up to eight seconds over rivals. These sort of operational issues are as much the business of the governor as interest rate decisions and are deeply embarrassing for an organisation which has been lecturing the city on the need for better cyber-security.

Mr Bailey is the holder of a Cambridge doctorate in economic history and has years of experience in dealing with monetary-policy issues. Few doubt his competence in this area. But he adds to that a knowledge of financial regulation and, according to former colleagues, an easy but effective management style. "There's no intellectual vanity," says one.

Mr Carney was poached from the Bank of Canada. When the recruitment process for his successor kicked off in April 2018 there were rumours that another international candidate, such as Janet Yellen or Raghuram Rajan, former heads of America and India's central banks, respectively, might be appointed. But Brexit turned the Bank into a political football, which seemed to scare off Mr Rajan and possibly others.

Although Sajid Javid, the chancellor of the exchequer, who has responsibility for the appointment, may have been disappointed by the range of applicants, current Bank insiders are happy to see Mr Bailey return. His knowledge of the organisation is seen as a strength. "He is actually interested in the business of central banking rather than being a public intellectual," says a former staffer with experience of working with Mr Bailey, Mr Carney and previous governor Mervyn King.

Mr Bailey is likely to focus on the Bank's core responsibilities of monetary and financial policy. (Mr Carney's frequent speeches on climate change may have landed him with a new role as a special envoy for the UN on climate finance but were becoming wearisome to Bank staff.) Nonetheless, changes in leadership at the Federal Reserve and the European Central Bank have been accompanied by "framework reviews" on how monetary policy operates in an era of low inflation and rock-bottom interest rates. It is possible that the Bank will do something similar in 2020.

Some eyebrows are being raised in the city by reports that Minouche Shafik, the head of the London School of Economics and another former deputy governor, was rejected partially because of her views of Brexit. Mr Bailey will have to work hard to ensure the Bank remains above the political fray while being candid about the likely economic risks of Britain leaving the EU.

Mr Bailey will take over as governor in mid-March (meaning Mr Carney has extended his term by six weeks). Announcing Mr Bailey's appointment, Mr Javid praised his record in increasing the diversity of the leadership of the FCA. But when Mr Bailey takes over the Monetary Policy Committee will contain more men called Andrew (two) than women. Few expect the new governor to alter the course of monetary policy very much at his first MPC meeting in May and there was little market reaction to his appointment. For all the differences in style between him and Mr Carney, on monetary policy Mr Bailey is likely to bring continuity as well as competence.

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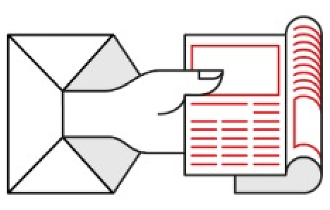

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