

**Observing the Observers:
Monetary Policy Calls of British
Newspapers Under the MPC Regime**

By

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Monetary Policy Calls of British Newspapers Under the MPC Regime**

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1. Introduction

In June 1997 the Bank of England's Monetary Policy Committee (MPC) took over responsibility for setting UK interest rates. Since then, the monthly meetings of the MPC have been accompanied by somewhat controversial discussions in the British press. With the minutes of the MPC meetings being published about six weeks after each meeting, the British press quickly identified the hawks and doves in the MPC. This identification was formalised by the Financial Times, which published an index stating the degree of hawkishness/dovishness and activism/passivism of each MPC member.

In this study we turn the tables and look at the monetary policy calls of five British quality newspapers (The Daily Telegraph, The Financial Times, The Guardian, The Independent and The Times) for the time period starting in June 1997, when the MPC took over responsibility, until October 1999. This is an interesting exercise not only on its own purpose, but might also reveal interesting features of the public preferences on monetary policy in the UK, as newspapers both reflect and shape the public opinion.

What I did was to look in the commentary of the newspapers for proposals or comments on monetary policy in the week of the MPC meeting. From these proposals and comments I tried,

based on subjective interpretation if necessary, to extract the (implied) interest rate calls of the newspaper. Using these calls I constructed indices measuring the degree of hawkishness/dovishness and activism/passivism of each newspaper, just like the Financial Times did for the MPC members. Finally, I tried to explain the monetary policy stance of the newspapers with their political affiliation and characteristics of their readership.

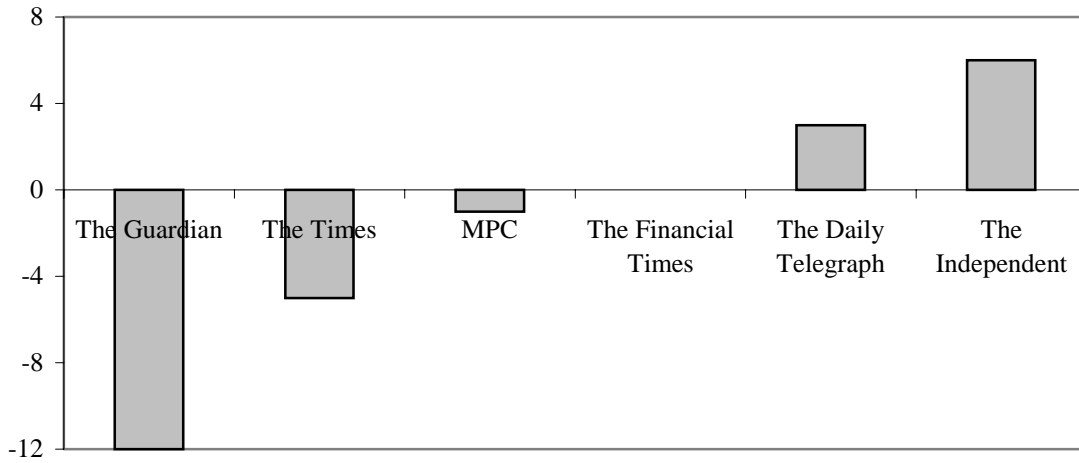
2. Interest rate calls of British newspapers

To extract the (implied) interest rate calls of the newspapers I looked for proposals or comments on how interest rates should be set by the MPC in the commentary of the five newspapers in the week of the MPC meeting from June 1997 to October 1999. These proposals/comments are quoted in extracts in appendix tables 1 to 5. Extracting the interest rate call of a newspaper was simple when it explicitly and unambiguously stated by how much it wanted rates to be changed or that it wanted rates to be left unchanged. But very often the proposals or comments were ambiguous, contradictory or not explicit, so that a clear-cut interest rate call could not be extracted. Appendix table 6 shows the extracted interest rate votes of the five newspapers.

The next step was to construct indices for hawkishness/dovishness and activism/passivism of the newspapers. There are numerous ways to construct such indices. What I have chosen is to measure hawkishness as the net of calls for increases less calls for cuts in interest rates. Activism, on the other hand, is measured relative to the MPC as the number of periods a newspaper called for a bigger change in interest rates than the one decided by the MPC less the number of periods it called for a smaller change.

Chart 1 shows the ordering of the hawkishness index, including the MPC for purpose of comparison. The chart shows that the five British quality newspapers consist of one pronounced hawk (The Independent) and dove (The Guardian) each, one moderate hawk (The Daily Telegraph) and dove (The Times) each, and a bird being neither a hawk nor a dove, probably an owl (The Financial Times). In aggregate, however, British newspapers are rather dovish than hawkish, as the Guardian is doubly as dovish as the Independent is hawkish and the Times is slightly more dovish than the Daily Telegraph is hawkish.

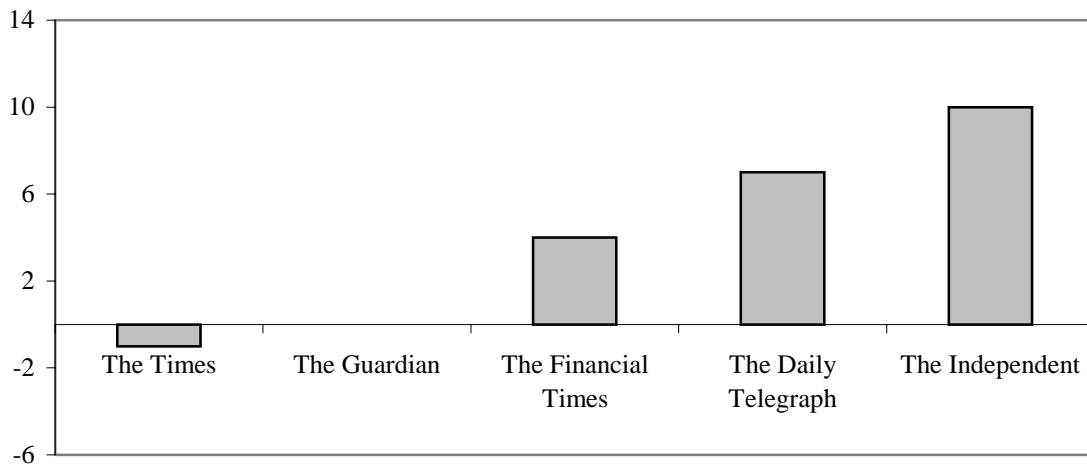
Chart 1: Hawkishness



Note: Hawkishness is measured as the net of calls for increases less calls for cuts in interest rates over the time period June 1997 to October 1999.

Chart 2 reports the ordering of the activism index, showing that on average, the five newspapers would be more activist than the MPC. The Independent, the Daily Telegraph and the Financial Times tend to call for much more active steps than the MPC delivered, whereas the Guardian and the Times would be as active as the MPC itself

Chart 2: Activism



Note: Activism is measured as the number of periods a newspaper called for a bigger change in interest rates less the number of periods it called for a smaller change than the one decided by the MPC over the time period June 1997 to October 1999.

At a first look the indices obtained for hawkishness and activism seem to imply a positive correlation between hawkishness and activism, as the two most dovish newspapers, the Guardian and the Times are also the least active. But why should this be the case? To provide an explanation for this phenomenon the sample was split with respect to the interest rate cycles, of which there have been three: an upward cycle from June 1997 to July 1998, a downward cycle from August 1998 to July 1999 and another upward cycle starting in August 1999. Table 1 shows how hawkishness and activism of the five newspapers varies over the interest rate cycles. The splitting of the sample reveals that the Guardian and the Times are consistent doves across the interest rate cycles as they aggressively call for rate cuts in the downward cycle but are rather reluctant when rate rises are on the agenda. The other three newspapers, on the other hand, call for both rate increases and cuts according to the cycle. Thus, the apparent positive correlation between hawkishness and activism seems to result from the cross-cycle dovish behaviour of the Guardian and the Times combined with the cross-cycle activist behaviour of the other three newspapers. But that does not void the hawkishness ranking displayed in chart 1, as the Independent and the Daily Telegraph are clearly more active in upward rate cycles than in downward rate cycles.

Table1: Hawkishness and Activism over the Interest Rate Cycles

	Hawkishness			Activism		
	Cycle 1	Cycle 2	Cycle 3	Cycle 1	Cycle 2	Cycle 3
The Guardian	0	- 12	0	- 5	+ 6	- 1
The Times	+ 3	- 8	0	- 5	+ 5	- 1
The Financial Times	+ 7	- 8	+ 1	+ 2	+ 2	0
The Daily Telegraph	+ 8	- 7	+ 2	+ 5	+ 1	+ 1
The Independent	+ 11	- 8	+ 3	+ 7	+ 1	+ 1

Note: Cycle 1 is an upward rate cycle from June 1997 to July 1998; cycle 2 is a downward rate cycle from August 1998 to July 1999; cycle 3 is an upward rate cycle starting in August 1999.

3. Explaining interest rate calls

While recording newspapers' own preferences on monetary policy is certainly interesting on its own purpose, I also ventured to try to explain what determines these preferences. I hypothesised that the political affiliation of the newspaper and the characteristics of its readership would have some explanatory power.

To measure political affiliation I constructed an index which is, I think, broadly in line with what would be common sense ranking of the newspapers according to the degree of their conservatism. I ranked the Daily Telegraph as the most conservative and the Times as the second most conservative. The Guardian is clearly the least conservative. The case was not clear for the Independent and the Financial Times, so that I decided to rank them equally as the second least conservative. I hypothesised that conservatism and hawkishness in monetary policy would be positively correlated, while I did not have any priors on the correlation between conservatism and activism. Charts 3 and 4 show scatterplots with conservatism on the x-axis and hawkishness and activism respectively on the y-axis. In fact, as hypothesised, we find a positive correlation between conservatism and hawkishness, though not a very strong one with a correlation coefficient of 0.5. There also appears a slight positive correlation between conservatism and activism with a correlation coefficient of 0.33. Even though it is certainly questionable to talk of outliers when you have only five observations in total, it should be noted that the Independent has a strong effect on the sample results. If the Independent is excluded, the correlation coefficient between hawkishness and conservatism increases to 0.79, and the one between activism and conservatism even rises to 0.91.

Chart 3: Hawkishness & Conservatism

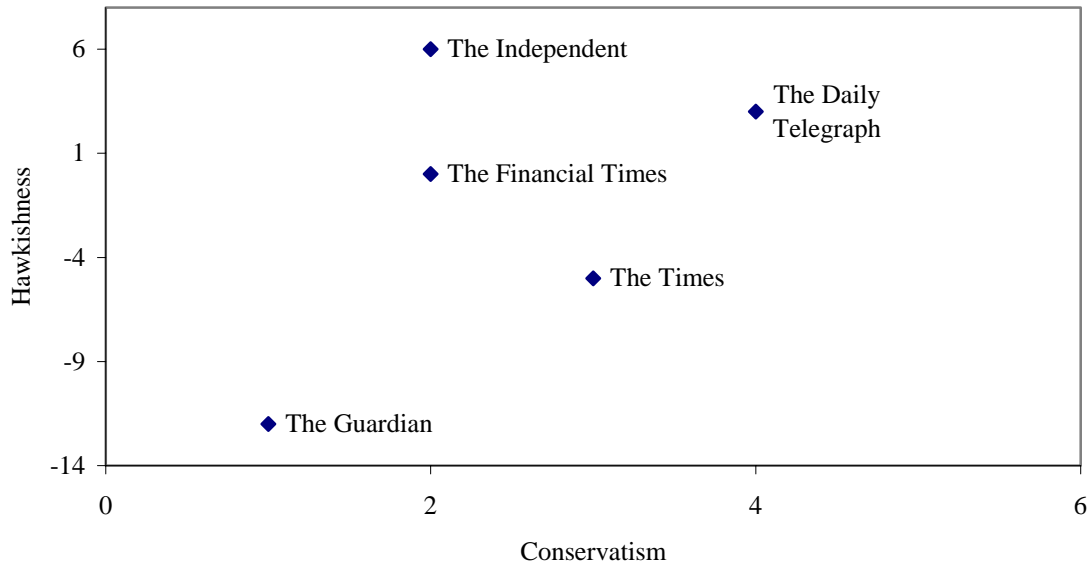
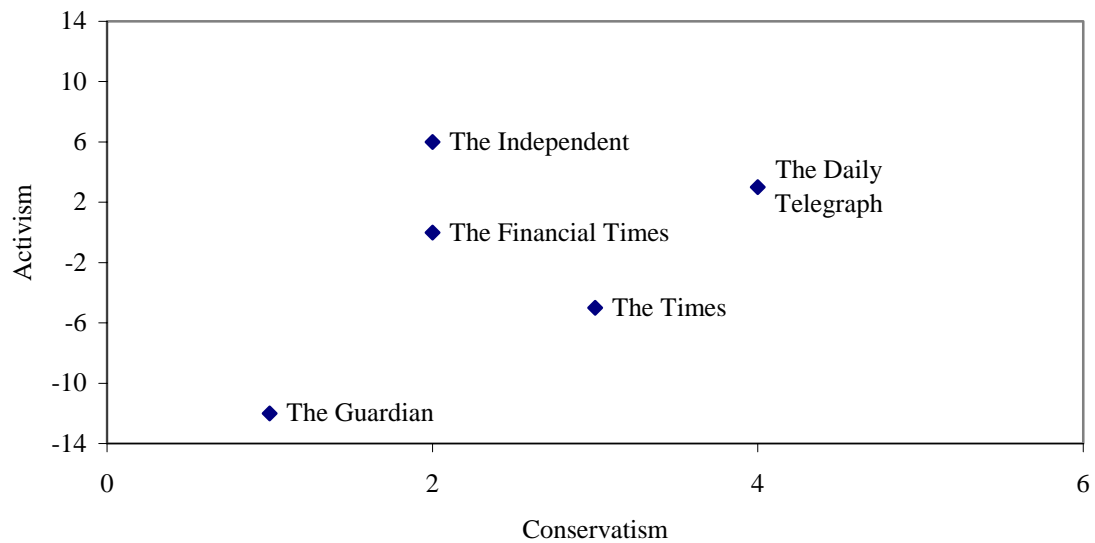


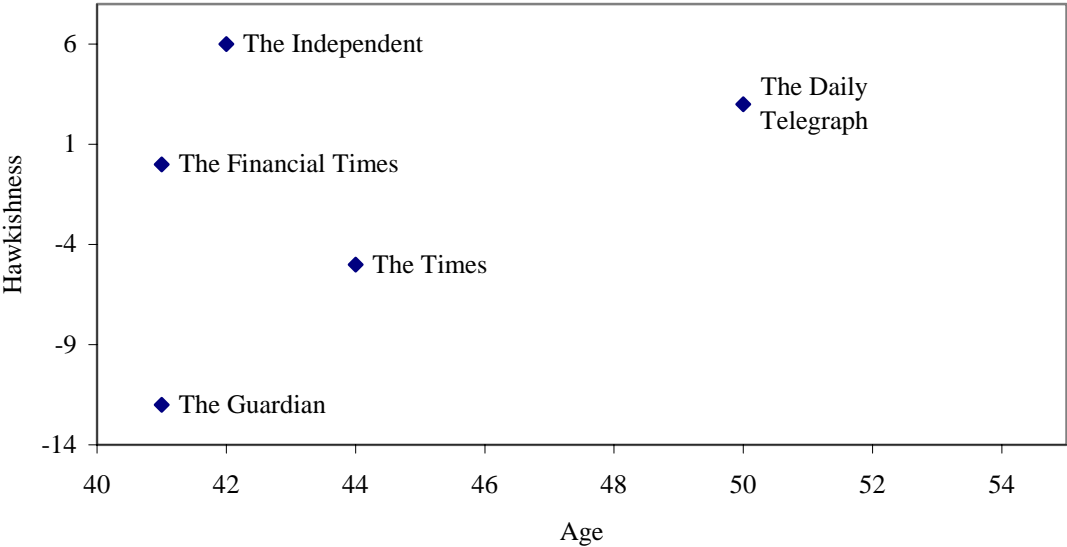
Chart 4: Activism & Conservatism



For the characteristics of the newspapers' readership I could only obtain data on the age and the social grade. I hypothesised that both might be positively correlated with hawkishness because of inflation aversion due to fixed pensions and accumulated financial wealth. Again I did not have any priors concerning the relationship between activism and the characteristics of the readership.

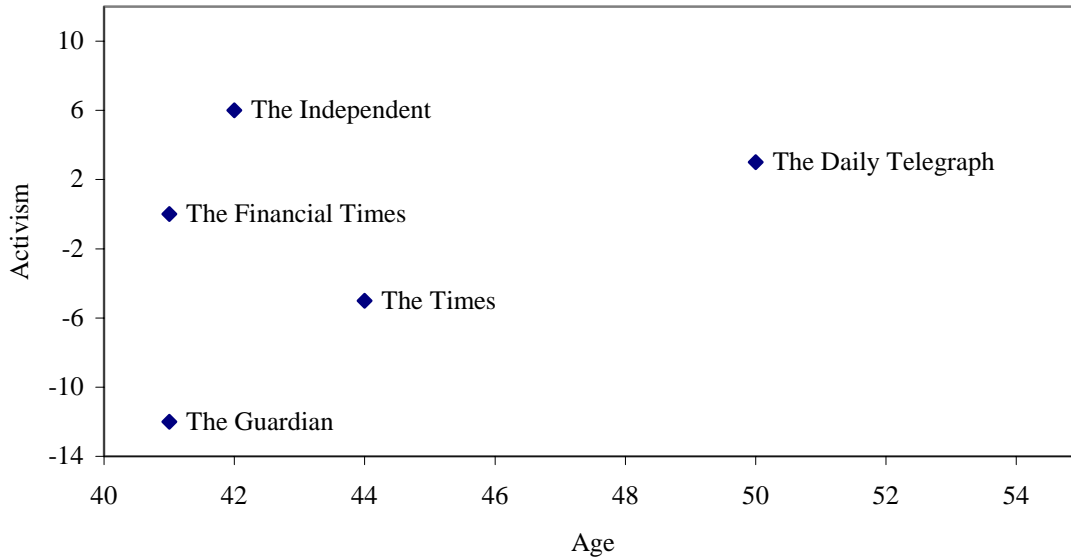
Charts 5 and 6 show scatterplots with the average age of the readership¹ on the x-axis and hawkishness and activism respectively on the y-axis. With an average age of about 50 years, the readers of the Daily Telegraph are by far the oldest. The readers of the Times are on average about six years younger, and the readers of the other three newspapers have about the same age, being on average 41-42 years old. We find a very weak positive correlation in both cases, with correlation coefficients of 0.36 and 0.3. Again one could argue that the Independent has a strong outlier effect, with correlation coefficients increasing to 0.65 and 0.7 respectively when the Independent is excluded. But, as already pointed out above, with only five observations in total, it is very questionable to talk of outliers. If one treats, for example, the Daily Telegraph as an outlier instead, the correlation coefficient between hawkishness and age collapses to 0.06 and the correlation coefficient between activism and age becomes even negative (- 0.14).

Chart 5: Hawkishness & Age



¹ The average age of the readership was obtained from calculations using data from Table 5.6 and Table 13.9 of Social Trends 29 (1999) from the Office for National Statistics.

Chart 6: Activism & Age



I also looked at the relationship between hawkishness and activism and the social grade of the readership². As one would expect, the readership of the Financial Times has by far the highest social grade, while that of the readership of the other four newspapers is about the same. As a result of that, I could not find even the slightest trace of a relationship between hawkishness or activism and social grade, so that I do not show the charts here.

4. Conclusion

This study attempts to give a characterisation of the monetary policy stance of the five British quality newspapers. The Guardian and the Times are rather dovish and not more active than the MPC, while the Independent and the Daily Telegraph are rather hawkish and more active than the MPC. The Financial Times is more active than the MPC, being neither hawkish nor dovish. On average the British quality papers appear to be rather dovish, as the dovishness of the Guardian and the Times is more pronounced than the hawkishness of the Independent and the Daily Telegraph.

² Social grade was measured as the the number of readers in the category ABC1 over the number of readers in the category C2DE. The data for these calculations have been obtained from the National Readership Survey Ltd.

Although it is rather difficult to look for explanations based on only five observations, we ventured to do so. We found slight positive correlations between hawkishness and activism and conservatism and hawkishness and activism and age respectively. In all the cases the correlation coefficient significantly increased when the Independent was excluded from the sample, but that must not mean too much, as it is rather questionable to treat 20% of your observations as an outlier.

Appendix

Appendix Table 1: Monetary Policy Calls in the Guardian

Month	Call	Part	Date
June 1997	“The first base rate increase...should almost certainly not have taken place.”	Business, Notebook	7/6
July 1997	“There are reasons to believe that the Bank has gone too far, too quickly.”	Business, Notebook	11/7
August 1997	“If the MPC were looking for reasons not to raise base rates....., then they are starting to accumulate....At this early stage in its independence, it may be useful for it not to be seen relentlessly tightening rates when the evidence is less than overwhelming.”	Business, Notebook	5/8
September 1997	“...likely to leave interest rates unchanged..”	Business	9/9
October 1997	“..expected to leave rates on hold....”	Business	9/10
November 1997	“Another rate rise could risk overkill.”	Business	4/11
	“...it would have been better had the MPC chosen to hold its fire.”	Business, Notebook	7/11
December 1997	“..the betting is that the Bank of England may.....backing off a rise in base rates. That is almost certainly a correct position.....However, if the MPC believes that rates will need to rise again, then better to do it now.....”	Business, Notebook	2/12
January 1998	“...the MPC....has decided, correctly, to leave base rates unchanged.”	Business, Notebook	9/1
February 1998	“..there are now a number of reasons for believing that further tightening is no longer necessary.”	Business, Notebook	6/2
March 1998	“Let the MPC do nothing for the next few months - and the next move may yet be down.”	Business	2/3
	“Hardly the background against which to rush into anything tomorrow.”	Business, Notebook	5/3
April 1998	“Rate rises have lost their point.”	Business, Notebook	9/4
May 1998	“...good sense of that move....“	Business, Notebook	12/5
June 1998	“This was no time to increase UK rates.”	Business, Notebook	5/6
July 1998	“The MPC.....has shown sensitivity to the real economy and that may be more necessary now than at any point since it began operations....”	Business, Notebook	8/7
August 1998	“There is no case for yet another increase in interest rates. If anything the	Leading articles	5/8

	Bank....should be thinking when the next reduction should be.”		
September 1998	“Reduce rates now”; “...err on the side of employment.”	Leading articles	9/9
October 1998	“ Rate cut will be too little, too late.”	Business	7/10
	“..the right policy response will be to cut rates.”	Business, Notebook	7/10
	“Reduce rates today”; “Make it more than 0.25 pc”; “MPC members have a rare chance to show that they are statesmen as well as bean counters. They should seize it.”	Leading articles	8/10
November 1998	“...a floor of five percent does seem eminently reasonable. The sooner we get there the better.”	Business	2/11
	“...the Bank should have the scope toa further easing of monetary policy....Business would like a half-point cut tomorrow, although they are likely to have to make do with merely another quarter-point fall....”	Business	4/11
December 1998	“The Bank of England has at last got the full message”; “.....the Bank should carry on cutting.”	Leading articles	11/12
January 1999	“The MPC may have learned the lessons of 1997-98 when it was seen as being too cautious by raising rates....On the way down it is being more confident: long may that last.”	Business, Notebook	8/1
February 1999	“High time for bold move downward.”	Business, Notebook	5/2
March 1999	“...there is no reason to bring cuts to a halt.”	Business, Notebook	2/3
	“...the global and domestic case for further easing...is as compelling as ever.”	Business, Notebook	3/3
April 1999	“UK interest rates are now about twice those prevailing in the countries that adopted the single currency – so there is still scope for further reactions here soon....Carry on cutting.“	Leading Articles	9/4
May 1999	“...unless the pound falls, interest rates will have to come down further. In that case the latest word from the MPC must be seen as a brief pause before the cutting starts again.“	Business, Notebook	7/5
June 1999	“The uncompetitive exchange rate together with continued austerity on Britain’s high streets....must increase the odds on a further cut in short-term rates....“	Business, Notebook	9/6

	“...the MPC made the right choice.”	Business, Notebook	11/6
July 1999	“...there are good reasons to believe there is enough fruit in the lemon for a squeeze or two more before a halt is called to interest reductions.”	Business, Notebook	9/7
August 1999	“There is no reason to apply the brakes yet...”	Business, Notebook	5/8
	“MPC gets it right”	Business, Notebook	6/8
September 1999	“The downside risks of the MPC’s decision...seem much stronger than those of robust demand in one sector of the market.”	Finance, Comment	9/9
October 1999	“Time to be brave and hold fire on rates.”	Finance, Comment	5/10

Appendix Table 2: Monetary Policy Calls in the Independent

Month	Calls	Part	Date
June 1997	“The consensus among city economists remains that the committee...will vote to raise base rates by a quarter point...”	Business	6/6
July 1997	“The Bank of England is firmly expected to raise interest rates...”	Business	9/7
August 1997	“The fact that the MPC has already raised rates for two months running without any clear impact on demand therefore suggests it will do so again.”; “The argument against quarter-point increases is that they have little or no dampening effect on consumers....But....it would take a brave committee to hammer industry with a big increase....It’s hard to see the MPC setting about winning the hearts and minds of the British people this way.”	Business	7/8
	“MPC strategy may be too clever by half”; “...if the previous three quarter point increases failed to do the trick, why should a fourth one?”	Business	8/8
September 1997	There is absolutely no prospect of an interest rate rise ...”	Business	11/9
	“...likely to leave interest rates unchanged..”	Business	9/9
October 1997	“..this week is the time for a small increase to prove that Britain is capable of running a grown-up macroeconomic	Business	8/10

	policy.”		
November 1997	“...the bank ought to strike straight away....If it later turns out,....that the world is indeed sinking into a deflationary spiral, a quarter point on interest rates now would not matter either way in any case.””	Business	4/11
	“...the Bank of England was absolutely right....”	Business	7/11
December 1997	“Rate rise looks less likely.....”	Business	4/12
January 1998	“...the Committee should....continue to err on the side of hawkishness....the risks of an overly lax monetary policy still outweigh the risks of an overly cautious one.”	Business	9/1
February 1998	“...it would be unwise to count on interest rate inaction...”(three arguments: tactic to bring pound down, credibility, living up to optimistic inflation forecast)	Business	3/2
	How long before the jobs market pulls the inflation trigger?...signals that are flashing red.”	Business	5/2
March 1998	“If manufacturing is feeling the chill, other parts of the body economic are still feverish, and it is the aggregate effect that will count....It is simply not in the Bank’s gift to make life sweeter for manufacturers.”	Business	6/3
April 1998	“...persuade the doves to accept a small rate increase and announce a pause for the same reason, but outrage the lame ducks....is the least risky course for the economy...”	Business	9/4
May 1998	“Industry gloom rules out rate rise.”	Business	2/5
June 1998	“...the Bank of England is right to tighten the screws.”	Leading Article	5/6
July 1998	“The MPC has chickened out of erring on the side of caution, which dictates a rise in interest rates to be certain of meeting the Government’s inflation target, and instead has caved into public opinion, whose siren warnings of recession may be heartfelt but are almost certainly misguided.”	Business	10/7
	“The decision not to raise interest rates yesterday was a positive one, not a neutral one, and should be welcomed.”	Leading Article	10/7
August 1998	“Simply to hold interest rates may no longer be enough. The Bank must prepare to pull them down rapidly if the evidence of recession mounts.....”	Leading Article	6/8

September 1998	“...a decisive cut in interest rates, of half a percentage point, should be on the agenda.”	Leading Article	9/9
October 1998	“...growing signs of pronounced slowdown...are probably sufficient to justify some kind of a cut, though..... there are still a number of strong inflationary pressures...the size of any such cut is unlikely to be enough, either for the Chancellor or the markets....The tragedy of all this is that ministers are almost certainly right about this, and yet the Bank of England is locked into a very tight remit of the Government’s own making.”	Business	7/10
November 1998	“A half point cut was undoubtedly needed.”	Business	6/11
December 1998	“.....the debate is no longer about whether rates should fall, only about how much and when.”; “Professor Goodhart’s preference for small doses is probably the right one...”	Business	8/12
January 1999	“...with the MPC acting quickly to avert a sharper slowdown than is necessary, 1999 should ,by the UK’s standards, be a relatively soft landing.”	Business	6/1
February 1999	“The immediate question is how fast UK interest rates will come down.....But a month or two of delay in rate cuts will not do much harm.”	Business	4/2
	“City expects quarter point rate cut today.”	Business	4/2
March 1999	“The....MPC has taken the right decision..”	Leading Article	4/3
April 1999	“Out there in the real world it makes no sense that British business has to pay double that of its European competitors.“	Leading Article	9/4
May 1999	“It is the strength of the exchange rate that gives the MPC leeway to cut interest rates again, if it so votes to do.... The renewed strength of the pound makes it hard to see how next week’s Inflation Report could possibly predict an inflation rate that moves above its target range over the next two years.“	Business, Outlook	6/5
	“The chances are that interest rates have reached their low point for the time being....“	Business, Outlook	7/5
June 1999	“...holding rates unchanged for a bit longer would probably do no harm.“	Business, Outlook	8/6

July 1999	“The longer range of forecasts also shows little scope for further reductions.interest rates are near their low point, they may even be at it.“	Business, Outlook	6/7
August 1999	“...the Bank will still find itself having to think about raising rates to stay within the target band in late 2000 or early 2001...“	Business, Outlook	3/8
September 1999	“To raise rates by a small amount in the next few months would not be to punish northern industrialists for the economic profligacy of southern home-buyers, but rather to save them from worse pain later.“	Business, Outlook	7/9
October 1999	“Although many pundits expect a pause this month, there is a reasonable, though not unassailable, case for a further pre-emptive move“	Business, Outlook	5/10

Appendix Table 3: Monetary Policy Calls in the Financial Times

Month	Calls	Part	Date
June 1997	Waiting with rate rise: “A month or two’s difference is hardly significant.“	Lex	5/6
July 1997	“..raise interest rates by at least a half point...“	Comment & Analysis by Martin Wolf	8/7
	“..at least a half a percentage point increase.....a full percentage point jump might be better.“	Leader	9/7
August 1997	“A further modest rise is needed.“	Leader	5/8
September 1997	“...these are signs that it (<i>the MPC</i>) will be proved to be right in halting the recent rise in base interest rates.“	Leader	12/9
October 1997	“Few in the city expected interest rates to change this month.“	News:UK	10/10
November 1997	“For now, it must focus sharply on the control of inflation....Yesterday’s move suggests that the Bank is inclined to agree.“	Leader	7/11
	“Indeed, the biggest danger now is that the Bank could overdo the monetary medicine.“	Lex	7/11
December 1997	“....decision came as no surprise.“	News:UK	5/12
January 1998	“More rate rises unwise“	Comment &	5/1

		Analysis by Martin Weale/Garry Young (National Institute of Economic and Social Research)	
February 1998	“...one last interest rate rise could be necessary.”; “...keep rates high for some time....“	Leader	4/2
March 1998	Rate rise: “...cannot wait forever.....the sooner..., ...the better.“	Leader	6/3
April 1998	“Have UK interest rates peaked? Probably. It would be nice to hear that straight from the horse’s mouth-the...MPC.“	Lex	11/4
	“The financial markets had largely expected no change.“	National News	11/4
May 1998	“...meeting of the MPC is unlikely to see any change in rates.“	Markets	4/5
June 1998	“... the ...MPC did yesterday what it should have done in January – or earlier.“	Leader	5/6
July 1998	“...the MPC might judge that one last twist to the monetary screw is needed....“; “The risk is that the MPC may get more than it bargains for. But it is a risk worth taking.“	Lex	7/7
	“Whether a further small rise is still needed must be a close call.“; “.....keep up the pressure.“	Leader	8/7
August 1998	“.....case for rates to be left unchanged for now.“	Leader	6/8
September 1998	“.....a wait and see approach would be more prudent.“	Lex	9/9
October 1998	“.....perhaps...a small cut at first.“	Leader	7/10
November 1998	“The Bank was right.... to make a decisive move....“	Leader	6/11
December 1998	“A full percentage cut now – followed by another point early in the new year if the data do not improve“	Lex	8/12
	“.....cut rates again...“	Leader	9/12
January 1999	“...another half point cut...“	Lex	5/1
	“...continue..on downward path..“	Leader	6/1
February 1999	“...another half-point cut looks appropriate.“	Lex	2/2
March 1999	“Another interest rate cut could be justified – if the committee believes the statistics.“	Lex	3/3
	“The pause...was wise.“	Lex	4/3
April 1999	“Signs of economy’s recovery reduce chances of rate cut.“	Front page	8/4

May 1999	“After a fall of 2.25 percentage points in base rates, one small further cut might be justified, but no more. Now is the time for wait and see.”	Leader	5/5
June 1999	“But the Bank could surely sanction at least one more quarter point cut without undue risk. UK monetary policy is hardly loose.”	Lex	9/6
July 1999	“Interest rates are expected to remain unchanged”	National News	7/7
August 1999	“...it now looks highly unlikely the monetary policy committee will cut rates further. An early rise, however, is not justified.”	Lex	2/8
September 1999	“Time to step on the brakes”	Leader	7/9
	“The MPC...has done the right thing”	Leader	9/9
	“Give growth a chance was the cry of one UK MPC member last week; most of his colleagues seem to have decided that “give manufacturers a good kicking is a rather more appropriate motto.”	Lex	9/9
October 1999	None		

Appendix Table 4: Monetary Policy Calls in the Times

Month	Calls	Part	Date
June 1997	“...the Bank may be tempted to demonstrate its independence by forcing through another quarter point rise.”	Business News, Economic Outlook	2/6
July 1997	“The Bank must not feed the speculators by raising interest rates.....If the Bank ruins the economy in exercising the powers it has been given, these powers could just as suddenly be taken away”	Leading article	9/7
	“It is to be hoped that the Bank takes note of the price of vegetables before deciding.... another increase in interest rates.....”	Commentary	9/7
August 1997	“They (the MPC) should fulfil the market’s expectations, and lay off.”	Commentary	7/8
	“This far and not further“....“An unnecessary rate increase must not be repeated“	Leading article	8/8

	“...decision to raise interest rates.... was almost certainly a mistake, but not as bad a mistake.....“	Economic View, Anatole Kaletsky	8/8
September 1997	“...there is little reason to suspect the committee may have changed its mind (to pause)“	Business News, Economic Outlook	8/9
	“Zero inflation is closer than you may think“	Business News, Roger Bootle	8/9
October 1997	“The MPC may not move this week butthe argument for a move in November seems to be compelling. “	Analysis, Janet Bush	8/10
November 1997	“...the sensible course seems to be to take no action.....“	Commentary	5/11
	“.....it was right to raise interest rates.....“	Economic View, Anatole Kaletsky	7/11
December 1997	“...enough to give MPC doves sufficient ammunition to stave off an interest rate rise....“	Commentary	2/12
January 1998	“The....MPC should be applauded for their restraint.....decision....was the right one....continue to practice self-restraint ‘	Commentary	9/1
February 1998	“...the balance of arguments is shifting markedly against higher rates.....the Bank would be well advised to...wait.“	Business News, Roger Bootle	4/2
March 1998	“...right to delay decision.“	Commentary	6/3
	“A right decision on rates...“	Analysis, Janet Bush	6/3
April 1998	“...I hope that.....the MPC leaves interest rates unchanged“	Business News, Roger Bootle	6/4
	“...if they (the MPC) are not convinced (that inflation is subdued), then.....little choice but to tighten the monetary tourniquet“	Leading article	9/4
	“...leave rates unchanged.“	Commentary	9/4
May 1998	“...view in the market that rates have almost certainly reached their peak.“	Business News, Economic Outlook	5/5
June 1998	“... pre-emptive strike may help to prevent it (developments that led to the recession of the early 1990s).“	Leading article	5/6
	“...move.....was surely not justified at this stage.“	Commentary	5/6
	“...the Bank was right...“	Economic View, Anatole Kaletsky	5/6
July 1998	“...in my view the MPC should not raise rates“	Business News, Roger Bootle	6/7
	“Threadneedle Street hawks should hold fire this time“	Economic View, Anatole Kaletsky	7/7
August 1998	“If yesterday’s vote turns out to have been narrowly against a rise in rates, the	Commentary	7/8

	Steadies need to demonstrate that they are doing their homework properly.“		
September 1998	“.....British industry should at least be grateful that the MPC has proved to smell the stench outside its ivory-tower and, not before time, signaled that British rates have peaked.“	Commentary	11/9
October 1998	“....easing interest rates this week.“	Leading article	7/10
	“....the MPC would be foolhardy not to.....take action.“	Commentary	7/10
	“MPC must cut rates or lose credibility“	Analysis, Janet Bush	7/10
	“The Bank must respond“ ; “...perhaps Mr. Brown had better look at redefining the mandate of the MPC.“	Commentary	8/10
November 1998	“.. cut rates decisively and swiftly....a quarter point....cause to worry....half would be better ...some economists believe...no harm at all...by a full percentage point.“	Analysis, Janet Bush	4/11
December 1998	“....the pressure is on the MPC to deliver at least a further quarter point cut in base rates.“	Business News, Economic Outlook	7/12
January 1999	“The City believes that...the Bank...mayat best reduce rates by a quarter point.Yet...the Bank is barely managing to keep up with the downward spiral.“	Commentary	7/1
February 1999	“Hope rise for further rate cut.“	Business News	4/2
March 1999	“Further rate cut expected.“	Business News	1/3
April 1999	“Fine tuning is a notoriously difficult business, but the MPC might just have managed it.“	Commentary	9/4
May 1999	The MPC must be wary of halting the recovery in its tracks.“	Commentary	6/5
June 1999	“...rate cut is unlikely to solve the problems it is intended to cure...quarter-point rate cut...will have little impact on domestic activity...nor....solve the perturbing problem of sterling’s strength.....runs the risk of undermining the Bank’s hard-won reputation as an inflation fighter.“	Commentary	11/6
July 1999	“The MPC should today avoid the temptation to please the crowds, but merely sit back and do nothing.“	Commentary	8/7
August 1999	“....the MPC will not be lifting rates.Neither is it likely to bring them down...“	Commentary	3/8

September 1999	“Even by the Bank’s hyperactive standard yesterday’s move was a stunner“	Comment, Anatole Kaletsky	9/9
October 1999	“I only hope that the bright spark who, at the last MPC meeting, wanted to raise rates by one eighth of a a percent does not get his way. We wouldn’t know whether to laugh or to cry.“	Comment, Roger Bootle	4/10

Appendix Table 5: Monetary Policy Calls in the Daily Telegraph

Month	Calls	Part	Date
June 1997	“The British still rather like inflation.....If Eddie could only teach them to know better, he could be as independent as Hans (Tietmeyer). Tomorrow is as good a moment as any for the first lesson.”	City Comment	5/6
	“Historic, small-and right“	Leading Article	7/6
	“The committee members, though, ought to know that inflation is never dead, and it may need to be hit with something rather bigger than the odd ¼ pc....“	City Comment	7/6
July 1997	“...the question for the committee is not whether rates should rise, but whether a quarter point is really enough.”	City Comment	8/7
	“The MPC really should have gone for the half point“	City Comment	11/7
August 1997	“Another quarter point looks the best bet. Bankers are pessimistic beasts. Without further evidence they will....tighten the srew another notch.”	City Comment	5/8
September 1997	“...the MPC...can celebrate the first meeting in its brief life to leave rates alone.”	City Comment	5/9
	“But now that our balloon is falling, the Bank should leave rates alone for now.”	City Comment	7/9
October 1997	“...should leave the rate unchanged.”	City Comment	8/10
November 1997	“Yesterday showed that its members have started thinking for themselves.....A politically-sensitive chancellor might haveleft rates unchanged.....but the cold-hearted bankers remember where that has taken us in the past, and turned the screw another notch.”	City Comment	7/11
December 1997	“The meeting comes at a time of	City	1/12

	mounting concern about the potential for renewed inflation in an economy which is now widely thought to have run up against its capacity limits.”		
January 1998	None		
February 1998	“...sympathy for manufacturers is no basis for economic policy.....Interest rates may be relatively high, but setting them in order to succour manufacturing will only succeed in feeding inflation.”	City Comment	7/2
March 1998	“George may use casting vote on bank rate.”	City	5/3
April 1998	“...we think we would vote for another month of status quo.”	Leading Article	7/4
	“The committee must concentrate on domestic conditions when making their decision, and resist the calls to go easy just to show they are human, after all.”	City Comment	10/4
May 1998	“Slower service sector growth boosts ‘doves’.”	City	7/5
June 1998	“...yesterday’s rise is eminently sensible.”	City Comment	5/6
July 1998	“No wonder Mr George keeps telling us that the interest rate decision is finely balanced. It always is.”	City Comment	10/7
August 1998	None		
September 1998	“So here is a message for the Bank of England: Interest rates should go down as well as up.”	City Comment	4/9
	“There is a strong case for a little encouragement to risk-takers now.....If rates are kept too high for too long, then even dramatic cuts can fail to have any impact...”	City Comment	11/9
October 1998	“ If the Fed can relax monetary policy in the booming US, it is surely time for the...MPC to do likewise in the more sluggish condititons on this side of the Atlantic. ”	Leading Article	1/10
	“It is a step in the right direction, but....it may not be enough to restore the animal spirits of the financial markets.”	Leading Article	7/10
November 1998	“The Bank of England has acted with timely decisiveness.....”	Leading Article	6/11
	“Bank of England’s cutting crew do the right thing.”; “...he (Professor Goodhart) argued that the Bank’s economic model suggested more reversals of policy rather than fewer – in other	City Comment	6/11

	words that while it is good to be consistent, it is better to be right. So far, he and his colleagues have been.“		
December 1998	“City punters are sure of an interest rate cut today...”	City Diary	10/12
	“With hindsight, it is now obvious that the last quarter-point rise was not needed.....There will always be complaints, and hindsight is a wonderful thing, but the MPC remains the single most impressive achievement of this chancellor.“	City Comment	11/12
January 1999	“Interest rates in Britain are expected to be shaved by a quarter point...”	City	3/1
	“Independence for the Bank of England is proving to be this government’s most succesful reform.“	Leading Article	8/1
February 1999	“Bank may be sorry when big spenders come out in force.”	City Comment	5/2
March 1999	“...lower rates are hard to justify on a view of the whole economy.”	City Comment	3/3
April 1999	None		
May 1999	None		
June 1999	“The continued strength of the pound...could tip the balance of opinion in favour of another ¼ point cut in interest rates.“	City	7/6
July 1999	“The US Federal Reserve raised rates last week.....central banks have tendency to follow one another, with the US setting the tone.“	City	5/7
August 1999	“The Bank of England’s committee has the difficult task of deciding when a normal recovery is in danger of turning into a runaway boom. That moment may be some way off, but it is getting closer all the time, and interest rates must rise before it gets there.“	City Comment	5/8
September 1999	“It’s a painful business, learning from history, but it rather looks as though the Bank of England is succeeding.“	City Comment	9/9
October 1999	None		

Appendix Table 6: Implied Monetary Policy Calls by British Newspapers

Month	The Guardian	The Independent	The Financial Times	The Times	The Daily Telegraph
June 1997	0	+ 1/4	0	0 / + 1/4	+ 1/4 / + 1/2
July 1997	0	+ 1/4	+ 3/4	0	+ 1/2
August 1997	0	+ 1/4 / + 1/2	+ 1/4	0	+ 1/4
September 1997	0	0	0	0	0
October 1997	0	+ 1/4	0	0	0
November 1997	0	+ 1/4	0 / + 1/4	0 / + 1/4	+ 1/4
December 1997	0	0	0	0	+ 1/4
January 1998	0	+ 1/4	0	0	0
February 1998	0	+ 1/4	+ 1/4	0	+ 1/4
March 1998	0	+ 1/4	+ 1/4	0	0
April 1998	0	+ 1/4	0	0	0
May 1998	0	0	0	0	0
June 1998	0	+ 1/4	+ 1/4	0 - + 1/4	+ 1/4
July 1998	0	0 / + 1/4	+ 1/4	0	0
August 1998	- 1/4 / 0	- 1/4	0	0	0
September 1998	- 1/4	- 1/2	0	0	- 1/4
October 1998	- 1/2	- 1/2 / - 1/4	- 1/4	- 1/2 / - 1/4	- 1/2 / - 1/4
November 1998	- 1/2	- 1/2	- 1/2	- 3/4	- 1/2
December 1998	- 1/2	- 1/4	- 1	- 1/2	- 1/2
January 1999	- 1/4	- 1/4	- 1/2	- 1/2	- 1/4
February 1999	- 1/2	0	- 1/2	- 1/2	0
March 1999	- 1/4	0	- 1/4 / 0	- 1/4	0
April 1999	- 1/4	- 1/4	- 1/4 / 0	- 1/4	- 1/4
May 1999	- 1/4	- 1/4	0	- 1/4	0
June 1999	- 1/4	0	- 1/4	0	- 1/4
July 1999	- 1/4	0	0	0	0
August 1999	0	+ 1/4	0	0	0 / + 1/4
September 1999	0	+ 1/4	+ 1/4	0	+ 1/4
October 1999	0	+ 1/4	0	0	0