



Leverhulme Centre for Research on Globalisation and Economic Policy

The man who warned of recession

Press release

The economist whose warnings of recession were ignored by the Bank of England will explain what could have been done when he delivers a keynote lecture at GEP later this month.

The isolated stance taken by Monetary Policy Committee member Professor David 'Danny' Blanchflower placed him at the centre of one of the highest-level policymaking disputes ever made public.

He consistently predicted the UK would pay a heavy price and fall into a lengthy downward spiral if the Bank failed to slash interest rates to stimulate the ailing economy.

Yet it was only amid the panic and seismic financial aftershocks generated by the dramatic collapse of giant investment bank Lehman Brothers that action was finally taken.

Professor Blanchflower became a member of the MPC in June 2006, but Chancellor Alistair Darling recently confirmed to MPs that he will step down in May this year.

He was long regarded as the Committee's "maverick" – a position illustrated by his monthly voting record on the subject of proposed interest-rate changes throughout much of 2008.

In May and June, when Professor Blanchflower called for a 0.25% reduction, his fellow MPC members – including Bank of England governor Mervyn King – opted for no change.

The same thing happened in July, except one member even voted for a 0.25% *increase*.

By September Professor Blanchflower was advocating a 0.5% cut, only for the other members again to vote for no change.

Professor Blanchflower recently admitted: "It wasn't a comfortable time. Externally they called me bonkers. Various former members of the MPC said I didn't know what I was talking about.

"I was shocked by how many commentators went along with the consensus and how little thought there was about alternatives. Newspapers were saying: 'Here he goes again. Who listens to him?'"

British-born Professor Blanchflower, the Bruce V Rauner Professor of Economics at Dartmouth College in New Hampshire, flies to the UK each month to take part in MPC meetings.

His lecture, *Macroeconomic Policy Responses in the UK*, is part of GEP's prestigious *Leverhulme Globalisation Lecture Series* and will take place on January 29.

David 'Danny' Blanchflower

Professor David 'Danny' Blanchflower is the Bruce V Rauner Professor of Economics at Dartmouth College in New Hampshire. He is a Research Associate at the National Bureau of Economic Research and a Research Fellow at the University of Munich's Centre for Economic Studies and the University of Bonn's Institute for the Study of Labour. He has advised a number of international bodies, including the International Labour Organisation and the Organisation for Economic Co-operation and Development, and won Princeton University's Richard A Lester Prize for his book *The Wage Curve*.



GEP is based at the University of Nottingham and is substantially funded by grants from the Leverhulme Trust.

In January 2008 it opened GEP in Malaysia at the University of Nottingham's purpose-built Semenyih campus, 30km from Kuala Lumpur.

In November 2008 it launched GEP in China at the University of Nottingham, Ningbo, China.

GEP is keen to promote its research work and is committed to communicating its expertise through the media and to assisting journalists whenever able.

Website: www.gep.org.uk

GEP lectures

GEP hosts a number of public lecture series.

The *Nottingham Lectures in International Economics* represent a 'masterclass' series and attract leading academics from around the world.

The World Economy Annual Lecture, *The World Economy Annual Asia Lecture* and *The World Economy Annual China Lecture* are all sponsored by Wiley-Blackwell, publisher of *The World Economy*.

The Leverhulme Globalisation Lecture Series attracts speakers from the policymaking and media community.

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