

The era of independent central banks is over

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The FT has an article [under the above title this morning](#). I agree with the sentiment, and hope it is right in its implicit forecast. As its author, Stephen King, says:

Monetary policy today carries big political connotations. In the UK, for example, the most obvious sign is the Bank of England's willingness to tolerate a rate of inflation far above the target set by parliament. While there is a reasonable justification — far better, surely, to squeeze all workers' wages in real terms than to have a Depression-style rise in unemployment — it is not at all obvious that it is a decision to be made by the high priests of the central banking community alone.

The odd thing was that we ever thought otherwise: indeed, that democratically elected governments once thought that, no doubt with best intentions, that a key element in their economic policy could be outsourced to what was, in effect, the banking community and that those bankers would use that power in the interests of all.

That was never going to be the case.

And it wasn't: they used the power for their own political advantage, both directly and indirectly through the status and leverage it afforded.

So now it is time to bring central banks back under direct democratic control and to make explicit that banking is accountable and that monetary policy is not on some higher plain. Nor is it distinct from the broader economic policies that any government should have the right to follow with monetary policy being required to integrate with them and not act to conflict those goals.

So when is the Bank of England becoming directly accountable again?