

The pretence that we have an independent Bank of Englan...

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A long time ago (let's call it 1997) Labour thought it could bolster its economic credibility by setting the Bank of England free from Treasury control and making the control of inflation its central mission.

The idea was simple. Labour's economic credibility had been lost in the 1970s when inflation was rampant and the Treasury had been seen as unable to control the beast. So there were two gains from setting the Bank of England free. First, Labour was not now responsible for controlling inflation and, secondly, 'the markets' were given the power to do so - suggesting the City friendliness of New Labour.

That market friendliness still haunts Labour.

And now we know that the Bank of England is not free of the Treasury. [Mark Carney has had to back track on his forward guidance on interest rates](#) because he would otherwise be increasing interest rates soon, and [all over the UK households would be tipping into foreclosure and recession would very definitely be on the cards again.](#)

So we now have a bankrupt policy of market friendliness and no room for economic manoeuvre on monetary policy. I think it's fair to say that the policy of setting the Bank of England free has failed, resoundingly.

What next? Well, first you have to admit your mistake. And that's going to be a massive obstacle to progress, not least to Labour. After all, this was Ed Balls' idea. Which is also the only reason why the Tories might be tempted to address it.