

It's time to give the Bank of England something useful ...

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Working for the Bank of England must be tough right now. What is the point must be the question any thinking employee must ask each day as they trudge their way to Threadneedle Street?

They're meant to control the money supply. It's shrinking of its own free will.

They must constrain inflation, except doing so requires skills not expected to be used again for some time to come.

Monetary policy has, after seven years at a single interest rate, not only become stuck at the zero bound but has become largely meaningless.

They're not even allowed to regulate bankers anymore now that George Osborne has stripped the FCA of any willing it might have had to do so.

What then is the Bank of England for?

This is, I know, a question my friend David Blanchflower is looking at for Labour, but such reviews take time, so let me stick my tuppence worth in now.

First, let me note that I am not saying there is no longer use for monetary policy. And I am not saying that inflation could not be an issue. As, indeed, could control of the money supply be a matter of importance in the future. What I am saying is that whilst these issues are important they are only so contextually. In other words, at the right time attention will need to be given to them again. I accept that. But now is not the time. So let's note when we might need to use them, and remain vigilant to the need, and thereafter park them for now.

Second, if these issues are not the matters of priority that the Bank must address now, what are? I suggest there are four.

First, there is the quality of growth. I see no merit in growth per se. In fact, environmentally we know it can be harmful. So it is the nature and quality of growth

that matters in our economy. Since the UK is massively underinvested in housing and the infrastructure required for the 21st century these have to be the focus for growth. That means at a minimum building housing, upgrading social infrastructure, delivering the highest quality broadband for all, developing new energy technology and using it and meeting modern transport need. Nothing less will do. And nor will growth from other sources be acceptable so that, for ample, more financialisation and speculation should not be an acceptable way of the BoE meeting this target.

Second, the share of wages in GDP has to grow. In other words, the decades long shift of the benefits of growth moving inexorably from labour to capital has to be reversed.

Third, this must be matched by targets for real increases in wages for most people. In other words, wages excluding bonuses for those earning less than the 95th (or thereabouts) centile must be targeted to increase in real terms.

Fourth, financial institutions must be made durable, legally responsible, socially acceptable in their activities and servants of society.

Do these four things and we would have a useful Bank of England when at present we have one tackling old issues with an old remit that is divorced from current need.