

the Bank of England should be nowhere near macroeconomics

Published: January 13, 2026, 2:10 am

I don't always agree with the FT. On this occasion, when they are [commenting on](#) Labour's [new plan](#) for the Bank of England, I do:

The idea that the BoE, with its limited range of tools, could increase sustainable productivity growth to a rate not seen in modern times is simply not credible.

In fairness, the FT adds:

But it is undoubtedly true that shorter-term movements in productivity, which has been strikingly low over the past decade, have some cyclical component and can be affected by central banks.

To which I would suggest that is nigh on inevitable: the price of credit is meant to impact the level of investment spending so the comment made is a truism.

But what's also true is that you can't set productivity gain as one short term goal and still maintain conventional monetary policy as another goal. They will sometimes run counter to each other with one demanding low rates and the other increases. That conflict is almost inevitable.

Labour will have to decide. It has to put monetary or fiscal goal at the heart of policy making. It can't do both. But if it is a fiscal goal then the Bank has no role to play. And since monetary policy in the U.K. is now entirely secondary because there have been almost no rate changes in a decade, and none are likely unless Carney & Co are trying to bring forward the date of the next downturn, only fiscal policy now makes sense. In which case the Bank should, once more, become just a banking sector regulator.

That's a big job. But it is not core to macroeconomic policy, and nor should the Bank be anywhere near that in the future.