

The Bank of England does not have a duty to push people...

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I cannot have been alone and being appalled at comments made by former Bank of England employee and Monetary Policy Committee member Adam Posen, [who said over the weekend](#) in advance of the Bank of England's decision on interest rate changes to be made this week:

The central bank has no choice but to cause a recession when a broad range of prices are rising at such a strong pace.

He added:

It is duty bound to bring inflation down after more than a year when it has been more than 2 percentage points above its 2% target level during a period of full employment.

Not only is this typical of the callous indifference of most of those making these decisions - which will have no impact on their own wellbeing unless by improving it as wealth flows upwards and in their own direction - but it is also wrong.

Posen argues the UK is short of labour. There is little evidence of that. People have simply left the workforce. That is something quite different.

He also seems to think it is wages driving inflation. No data shows that. Energy price profiteering; supply chain profiteering and simple supply chain shortages all suggest otherwise, as do interest rate rises, all of which are reflected in new excess profits being reported by those involved. But wages are falling well behind, especially for most on low pay. So Posen is offering a reason for inflation he must either know to be untrue or because he probably knows no other, and has not been taught to look for it.

And what he proposes is that wages must be crushed to reduce demand when demand is already being crushed, as all available evidence shows. Energy and other price increases are already doing that. Increasing interest rates will only make poverty much worse than it is already going to be.

But, although this should be glaringly obvious Posen argues the Bank has a moral duty

to eliminate inflation by creating recession, pushing down real incomes and destroying jobs when that will not solve any of the inflationary problems created by energy price profiteering; supply chain profiteering and simple supply chain shortages. It will only add another cause of inflationary pressure by increasing the price of money.

Posen does not seem to get that. Nor does he see anything immoral in making children starve, old people die of cold or in forcing people from their homes, all because of his inability to understand inflation, appraise data, and work out an appropriate economic response.

What is that appropriate response? Danny Blanchflower and I have already outlined it:

- 1) Admit there is a problem;
- 2) Correctly diagnose the cause;
- 3) Cut taxes on consumption on essential items now;
- 4) Cut taxes for those on low pay, but increase them significantly on those with high pay and wealth where the inflationary pressure exists and is significant;
- 5) Do a windfall tax;
- 6) Invest in job creation now as many jobs are already at risk;
- 7) Align rules with the EU to reduce inflation pressure there;
- 8) Be prepared to use QE and changes to tax rules on saving to fund new programmes of investment.

Doing this is the moral imperative. Posen's morality comes from the 1840 approach to Ireland so indifferent to suffering is it, and so wrong in its analysis is it also.

I fear though that the likes of Posen will get their way on interest rates this week. We are in for torrid times. And like Martin Lewis, I fail to see how civil unrest will not follow, so inappropriate and harsh are the prescriptions of the likes of Posen.