

Andrew Bailey is right to forecast deep economic woe fo...

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As the [Guardian notes](#) this morning:

Britons should expect to suffer a more severe bout of inflation than other major economies during the current energy crisis, the governor of the [Bank of England](#) has warned.

Speaking at a conference of central bankers in Portugal, Andrew Bailey said inflation was higher in the UK and would persist for longer than previously expected as soaring petrol and gas prices sent household bills rocketing to new highs.

They added:

Bailey said he was determined to bring down inflation and was prepared to use the Bank's power to increase interest rates aggressively in response, though he added that it may not be necessary if price growth slowed towards the end of the year.

Contextually they noted:

His comments came as leaders of the world's most powerful central banks warned that the global economy is facing a new period of persistently high inflation, unleashed by the coronavirus pandemic after decades of stability.

All of which sounds profoundly depressing. But the questions to ask are whether Bailey is right and is what he says will happen actually necessary?

In the sense that Bailey is right if his chosen policy is pursued then I cannot argue with his conclusion. If, as he plans, the UK economy will have its life crushed out of it by unnecessary interest rate rises then of course recession will follow, as will personal hardship and misery for millions. As that is what he unashamedly plans then Bailey is not so much forecasting, as stating that this is his intention.

And if the government persists with Brexit; wishes to wage trade war with Europe; refuses to change the rules on energy pricing so that falling prices are denied to consumers and energy is priced at the highest possible price that the weakest market

supplier says is necessary for its survival, then of course the government is also guaranteeing this outcome.

As it is also doing by already backtracking on windfall taxes and by its refusal to increase taxes on the wealthy, who are the only part of society exerting demand pull inflationary pressures right now.

Come to that, the governments refusal to use the indirect tax levers available to it to actually reduce inflation by cutting VAT and duty rates also guarantees we will do worse than those countries who are actually trying to curtail inflation. So Bailey is right again: things will be bad here.n

But as to necessity, Bailey is hopelessly wrong. There is nothing inevitable about what is happening in the UK. It has been chosen that things should be this way.

What is more, even though it is obvious that we are heading for recession, rising unemployment and under-used resources in the economy, there is no plan to do anything about this. The government should be designing a recovery package at this moment. Let us call it a Green New Deal. It is not planning that. So of course things will last longer than they need to in the UK: the exit route is not being prepared.

It's easy for Bailey to be right. He just has to act with malice to impose interest rate rises and make no demand for a fiscal response from government. But being right is, in this case, to be profoundly wrong. And Bailey most definitely is that.