

What do you do when the target's wrong?

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As the [Guardian noted](#) yesterday:

Bank of England rate-setter **Catherine Mann** has warned there is “very clear upside evidence” that UK inflation could remain above the central bank’s 2% target for longer.

Mann, a member of the Bank’s monetary policy committee, said monetary policy needs to remain tight to rein in climbing household inflation expectations that threaten to keep price pressures elevated if they spill over into demands for higher pay.

“There is downside risk,” she told an Institute of International Finance event in Washington, pointing to “modest” growth at best and a softening labor market.

However, she added:

“There is very clear upside evidence of inflation being above target, staying sustained above target.”

The obvious thing to do in this case is also the simplest: it is to admit that the target is wrong, and there are many reasons for thinking that.

First, the 2% inflation target is not a law of nature. It is a political choice, invented in the 1990s as part of the neoliberal settlement that handed power from elected governments to supposedly independent central banks. The figure has no theoretical or empirical basis. It was chosen because it sounded reassuringly low, not because it optimised real economic outcomes.

Second, the 2% target assumes inflation is always bad and price stability is always good. But in an economy beset by shocks, whether from pandemics, wars, climate disruptions, supply chain fragility, and shifting trade patterns, modest inflation can be a sign of adaptation and resilience. It reflects adjustment to new costs, and is not necessarily a failure of policy.

Third, the Bank of England’s obsession with hitting this arbitrary target has inflicted

enormous harm. The policy tool it relies on, in the form of raising interest rates, is blunt, slow, and socially regressive. It punishes mortgage holders and renters, transfers wealth to banks, and suppresses investment and innovation. And as the Bank itself now admits, it does not work well when inflation is caused by external shocks rather than domestic overheating.

Fourth, Mann's insistence that tight policy must be maintained because people might expect higher inflation and might therefore demand higher wages, reveals the Bank's real preoccupation: keeping labour in check. What the Bank fears is not inflation itself, but the possibility that workers might claw back some of the income share lost to corporate profits over the last two decades.

Fifth, when the Bank acknowledges that the economy faces "modest growth" and a "softening labour market," it is describing the very damage its own policies have created. It has crushed household spending power, deterred public and private investment, and prolonged stagnation. Yet it persists, because it cannot admit that its guiding metric of 2% inflation is meaningless in a world of structural change.

The consequences are clear.

First, the UK remains trapped in a cycle of weak growth, fragile demand, and persistent inequality, all in the name of defending a target that serves no one but financial markets.

Second, the government hides behind the Bank's "independence" to avoid taking responsibility for economic management. Fiscal policy, which is the one tool capable of addressing real-world inflation pressures through investment, infrastructure, and fair taxation, is sidelined.

Third, by treating inflation as a moral failing rather than a policy trade-off, the Bank frames the public as needing discipline rather than support. That logic underpins austerity, wage suppression, and cuts to public services, all of which make the economy less resilient and society more insecure.

The conclusion should be obvious, though it will not be admitted in Threadneedle Street: if inflation remains above 2%, it is not the economy that is wrong; it is the target that's not delivering.

We should be asking different questions:

- * What level of inflation is consistent with full employment, sustainable investment, and ecological transition?

- * What policies protect those on fixed and low incomes from real hardship, rather than protecting financial assets from mild devaluation?

The answer lies not in punishing the economy to make it conform to an arbitrary figure, but in reforming both the target figure and the broader economic goals, of which this rate should only be one amongst several, to fit the economy we actually live in, meaning full employment and income distribution as well as green goals should also be taken into account.

Inflation targets should serve people and not the other way around.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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