

We cannot solve the problems created by neoliberalism b...

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According [to Reuters](#):

Inflation running above the Bank of England's 2% target appears to have become embedded in the British economy and risks getting further entrenched in wage negotiations early next year, BoE policymaker Catherine Mann said on Tuesday.

Mann said last week that the BoE had erred in March, just after the start of the Iran war, by letting investors think it was happy to take a wait-and-see approach to raising rates. She voted in July and September for a quarter-point hike.

Let me put my cards face up on the table. I have little regard for Catherine Mann, her ability, or her understanding of the economy in which we live, or of what our economic priorities should be, and so everything that I say that follows should be read in that light. I believe in being fair.

All that being said, though, what Catherine Mann does not understand is that if inflation is being embedded in our economy, rather than being the transitory shock which should follow supply chain shocks and other consequent crises, that is for one of two reasons.

One of those is that these shocks are coming thick and fast, and there is nothing that she, as a member of the Bank of England Monetary Policy Committee, can do to stop that happening. Covid reopening, war in Ukraine, climate change, war in the Gulf, El Niño, drought, forest fires and all the other consequent crises that we are presently facing in the world economy are, without exception, beyond the control of the Bank of England and are entirely, and always will be, totally unaffected as to their impact by any interest rate that she and her colleagues choose to set.

The second reason is that, in response to the crises we have had to date, she and her colleagues have chosen to embed into the UK economy and our financial system interest rate expectations that far exceed what the current economy requires or can sustain, but she would like to increase them.

We are already in the economic doldrums. There is a cost-of-living crisis.

Unemployment is rising. Insecurity, and, as importantly, the fear of it, is growing, and a very large part of that is because of the increase in the costs that the Bank of England directly influences in the UK economy, including those for mortgages, rents, other loans, car lease facilities and a great deal more. If the Bank of England chooses to respond to an inflation crisis by raising the cost of money, of course they increase the likelihood that the inflation they are supposed to reduce will instead both increase and become embedded, because that is precisely what is predictable based on the process they follow.

Despite that, Catherine Mann's prescription for dealing with this crisis is to increase the price of money again. What is more, I suspect that once she has succeeded in that goal, she will demand that the process be repeated. It would seem that her policy is to maintain the beatings until everyone possible is suffering, except, of course, those who must inherently gain from this process, who are the wealthy.

So what can we do about this stupidity, as I can best describe it? There are, of course, a number of things we can do.

Firstly, the Chancellor can declare that we are facing an economic emergency and therefore trigger the provisions of section 19 of the Bank of England Act 1998. The Bank can be overruled.

Secondly, the Chancellor could appoint people who understand that raising interest rates can itself be inflationary to the Bank of England Monetary Policy Committee, to give it some necessary insight into the process it is engaged in.

But thirdly, and most importantly, we could signal the beginning of the end of the neoliberal era by bringing Bank of England independence to a close. This has always represented a political gesture to wealth, financial markets, and the interests of the City of London, rather than anything that might serve the interests of the people of the UK.

Seeking to control an economy whose sole purpose is to improve the well-being of the people within it through the use of monetary policy, and so interest rates, was always going to end in tears because the two goals are necessarily, and almost always, in conflict with each other. We can now see governments, both here in the UK and elsewhere, desperate to meet the needs of their populations, who are rightly angry with the consequences of the neoliberal era. As a result, those governments need to create jobs, increase wages, improve well-being, and deliver for ordinary people through the use of fiscal policy. However, at the same time, this goal is being deliberately undermined by central banks that seek to do the exact opposite, most especially by increasing unemployment and reducing business investment whilst punishing households for having the temerity to borrow to do something so frivolous as to buy a home.

What then is the solution to the problem that Catherine Mann represents? It is not,

ultimately, to remove Catherine Mann from office. It is to remove her office itself.

In the new era that we are facing, there is no room for bankers to run the world. They are bringing it to its knees. We cannot solve the problems that they have created by tinkering at the edges of the issues. The change has to be systemic.