[Article for the Independent on the Bank of England](#)

The debate over mortgage rates and the high rate of inflation is made difficult by the general view that the Bank of England is independent. This discourages politicians and media from debating their actions and thoughts, and impedes government action.

Constitutionally this is incorrect. The Bank does have the independent power to fix Bank rate following consideration by its Monetary Policy Committee. It is set a target of getting inflation to around 2% a year, a target last revised by Gordon Brown who changed it. I am not proposing they should lose that power. Otherwise it is deeply involved with the government.

The Bank is 100% owned by the state. The government of the day chooses the Governor. The Governor reports to the Treasury Committee of both Houses of Parliament, where he is subject to scrutiny over the work of the Bank. The government bails it out if it loses too much.

The main agent of monetary policy since 2008 has been the Bank both greatly increasing its balance sheet then contracting it. As it expands it buys bonds at ever higher prices, driving interest rates down. As it contracts it sells bonds at losses driving rates higher . The Bank's decision to make a large sale of bonds just before the Kwarteng budget along with the rate rise pushed bond prices down. This was compounded by the difficulties of LDI funds owned by pension funds having to sell to cover the calls as the market fell. The Bank's decision to reverse the sales policy and buy some bonds again rallied the markets, showing how much control the Bank has over it.

This policy is a dual control policy. The Chancellor signs off on the bond programmes. The Treasury provides a full guarantee to the Bank against losses on the bonds. The Bank says it acts as an Agent of the Treasury when doing this.

The Bank overdid the bond buying in 2021. I supported its £300 bn to see us through lockdowns but thought the subsequent additional £150bn was risky, likely to bring on inflation. Clearly the bond buying created an asset price inflation, boosting bond prices and in turn shares and properties as the people and firms who sold the bonds to the Bank reinvested their money. In due course money got into wider circulation, and the money the government gave to people and companies based on ultra cheap state borrowing also helped stoke inflation.

Supply was constrained by the after effects of lockdown, by changes in the labour market and by world disruptions brought on by the Ukraine war. Too much money was soon chasing too few goods, scarce energy and food. An inflation set in, leading understandably to people wanting pay rises to limit the damage to their spending power.

The Bank has now said it will review how it forecasts inflation and how it runs its models and makes its decisions on rates. That is a necessary task, as its models gave very wrong indications saying inflation would stay at 2% and then saying higher inflation would be transitory.

The Bank also needs to take an interest in money and credit. It needs to look at the way expanding its balance sheet is inflationary and contracting it too fast may produce a recession. It should ask itself why China has inflation of 0.2% , Switzerland 2.2% and Japan 2.7% when they all import substantial amounts of energy. Their Central Banks followed different policies when dealing with covid and Ukraine.

[Too much inflation](#)

Prices rise when too much money chases too few goods and services. As economists would say, when potential demand outstrips supply, prices rise.

The Bank of England has presided over a big expansion of the amount of money and credit available from March 2020 to 2022. There have been supply shortages of energy, food and much else, with a rush to import. We import LNG gas instead of producing more of our own, losing tax revenue and causing more CO2 worldwide as a result. We import too much food, giving grants to farmers not to grow more instead of boosting our home output. We make it difficult to produce steel, make ceramics and stay in other high energy using businesses, only to import the products we need with more CO 2 produced by the foreign factories as a result.

The government needs to take action to get inflation down. Short term measures include taking VAT off fuel, and raising the VAT threshold for small business to allow them to expand more quickly. Longer term measures must entail regulatory and tax changes to make and grow more at home, and to produce more domestic energy. Lifting the IR 35 tax on the self employed could regain some of the lost 700,000 self employed of recent years. They will serve us well and generate more taxes of other kinds as a result.

The UK has too few producers. Now is a good time to flex rules and lower tax rates to free the makers and service providers to do more. Government must help get prices down. The Bank must be careful not to lurch from far too much money and credit to too little.

My visit to Bexprt in Winnersh

On Friday 16th June I visited Bexprt in Winnersh to learn about the business and meet founder and CEO Mo Hamdy, Chief Marketing Officer Gwen Edwards and Mahmoud El Zayet, Head of Department, Cloud Consultancy and Training. I was delighted to congratulate them on The Department for International Trade's "Made in the UK, Sold to the World" Award for Digital Exports which the company received last month.

Bexprt is a fast growing small business with a large export customer base, providing specialist consultancy and ICT professional services to clients seeking technology-driven business transformation. It is partnering with Amazon Web services to help people use the Cloud system for external storage of data. There are opportunities for businesses to contract their data storage and processing to an external supplier using powerful computers in specialist warehouses with high levels of cyber security and service.

The company is positive about the opportunities for Artificial Intelligence as faster searches, machine learning and new language models enhance computer services. We are moving to a world where people can have an AI assistant to provide data, commentary and assistance by speed reading and repeating materials available through big data storage. I wish Bexprt every success as it grows its way to greater success, offering interesting services to local and international businesses.

With Founder and CEO Mo Hamdy

Regulating Artificial Intelligence

I have great news for the government. All the bad things that Artificial intelligence could bring are already crimes. They can be prevented or prosecuted just as their less technically sophisticated versions can be. Theft or fraud by a computer programme is theft or fraud by the person who set the computer up to it. Misrepresentation or libel of an individual is every bit as much a crime if nominally done by a computer, where a person will remain the criminal for putting the computer up to it.

Artificial Intelligence will be a series of crucial breakthroughs in computing power. It has been in development for a decade or more. First a computer programme could beat a Grand Master at Chess. More recently a computer won at GO against a great player in this more complex of games. Computers can now take instructions in English and convert them into computer software or into extensive and rapid searches of vast data banks as they seek to provide a good reply at lightning speed. Many more people will come to have an assistant with access to great data, capable of sifting, searching and selecting from it to help the human boss. The UK should indeed try to create the conditions where we can play host to many companies pioneering these exciting developments.

This is where the Retained EU laws Bill has a crucial role to play. This allows the UK to return to common law, where anything is permitted unless the common law says it is prohibited. The EU Code Napoleonic model needs the law to specify what you are allowed to do. This is far less flexible and can badly impede innovation. It is difficult to know exactly what AI will be able to achieve or how it will achieve it in the next few years. Applying the common law to prevent crimes and abuse but not laying down in advance what is permitted is the best approach. The US which is the outstanding world leader in AI, the Cloud, social media and software uses a common law system which helps build its advantage over the EU and other code based legal systems. One of the things that most worried me when I was the UK's Single market Minister was the way the EU produced much detailed product and process regulation which specified a way of doing thigs leaving other ways and innovative ways outside the permitted law. It is a system designed to defend existing large companies against competitive challenge, leading to slower growth and ageing activity compared to the more dynamic USA. The EU has no Microsofts, Alphabets, Apples or Amazons of its own as a result.

Written Answers from the Department

for Transport — speed limits

The number of speeding offences has shot up as a result of introducing numerous 20 mph zones. Whilst it is most important that people do not drive fast in busy areas where there is a danger of children or adults stepping off pavements or otherwise coming into conflict with vehicles, the comprehensive and extensive use of these zones at all times of the day and night is unnecessarily restrictive, impeding deliveries, people getting to work and other essential journeys.

The Department for Transport has provided the following answer to your written parliamentary question (189129):

Question:
To ask the Secretary of State for Transport, what data his Department holds on the number of 20 mph speed limit zones in effect in England as of 13 June 2023. (189129)

Tabled on: 13 June 2023

Answer:
Mr Richard Holden:

Local authorities have the power to set 20mph zones (which have traffic calming) and 20mph limits (which rely on signage).

No central record is kept of the number or length of 20mph zones and limits in England.

The answer was submitted on 19 Jun 2023 at 15:46.