

# The Bank of England faces new critics

I am no longer a lonely voice complaining about the failure of the Bank of England to keep inflation down, nor in arguing about excessive tightening by selling bonds at big losses when they have no need to do so.

The Lords Economic Affairs Committee recently produced a good report into the problems at the Bank of England. They concluded that

1. Excess inflation in recent years was not just the result of external shocks from the Ukraine war. It reflected monetary policy errors and inadequate forecasting models.
2. The Bank did not have diverse thought around the table and ignored excess money growth as a possible cause of inflation
3. They want documents published about the state guarantees against Bank losses, and see this has brought into question the Bank's independence
4. The Bank's remit including matters like climate change is too wide and should be more focused on inflation
5. The Bank needs to be subject to tougher scrutiny which should be undertaken by Parliament to ensure it is properly challenged over its models, its recruitment, its analysis and its results.

Last weekend the Telegraph ran a very critical article about the Bank, expressing the fear that current policy will bring on a needless recession. David Smith in the Times, a usual supporter and reporter of the Treasury/Bank view was also more critical and concerned that policy in the UK was detaching from the worlds of the ECB and Fed, and was too tight.

It is time the Bank listened to these valid points. They should announce they are ending their bond sales into the markets, letting the bond portfolio reduce as the bonds reach maturity and repayment. They should observe the ECB is not selling any bonds into the market, and see that the Fed is now signalling lower interest rates to come in 2024. All 3 Central banks made the same mistakes with too much money and inflation in 2020-21. The Bank of England seems to be the one that makes the reverse error more severely by encouraging a recession.