

The Bank of England is probably right about inflation. It had better be...

I
s the Bank of England right that inflation is just a temporary blip? Well, probably, but it had better be.

Over on Threadneedle Street they are outspokenly sure about this one, with Governor Andrew Bailey lately insisting his view that inflation will pass is “well-founded, it is not a vain hope, nor a matter of whistling in the wind”.

Those arguing otherwise, which have lately included his departed chief economist Andy Haldane are “alarmist” – Bailey thinks the recovery running out of steam is a far bigger worry than some short-term price increases.

The reason to back Bailey and the Bank is that it surely should have better information than anyone else, and more people paid to disinterestedly examine that data.

Former governor Mervyn King used to joke about “inflation nutters”, those folk who worry about inflation no matter what else might be occurring.

READ MORE

- [Inflation jumps again as petrol, cars and food costs all rise](#)
- [Bank warns shift to cloud poses a “systemic risk” to UK finance system](#)
- [Banks to unleash £22bn dividend bonanza as pandemic payout curbs end](#)
- SPONSORED

10 ways to improve your home and family life

Indeed, it is possible to detect certain swivel-eyed tendencies among those most loudly shouting that pay rises for the masses are some sort of disaster rather than progress, just because they increase the price of avocados. Or beer. Or kitchens.

Still, if come next year it is obvious that the Bank didn't move quick enough to raise rates and curtail inflation, it won't have much of a defence. It can hardly say it wasn't warned.

Heads would have to roll. Deputy heads, of course – it's the Bank of England, not a professional football team.

Interest rates have been so low for so long you almost have to remind yourself that them sitting at 0.1% is not normal.

That rate signals that we are still in a crisis rather than in a recovery.

Here's one good reason for putting them up right now: if the recovery does wobble later, the Bank would at least have something to cut.

If it wobbles anyway, where does the Bank go from here?