

Letter to The *Financial Times*: [Let's be realistic about hitting inflation targets](#)

From Professor Costas Milas, Management School, University of Liverpool, Liverpool, UK

Your editorial “A pivotal moment for the world’s central banks” ([FT View](#), August 23) is correct to note that by viewing rising inflation as only “ephemeral”, central banks have been slow to raise interest rates. This has allowed politicians, including Liz Truss to blame monetary policymakers for UK inflation currently standing some five times above the 2 per cent inflation target.

Yet there is a common misconception about inflation and how close this can remain to the 2 per cent target. Indeed, the existing inflation target does not mean that inflation will be held at this rate constantly. That would be neither possible nor desirable. To the extent that monetary policy operates with a time lag of up to two years, the Bank of England (or any other central bank) cannot raise interest rates today and lower inflation tomorrow.

But even if we wanted to hit the 2 per cent inflation target all the time, interest rates would need to be changing all the time, and possibly by large amounts. Such monetary policy action would cause unnecessary economic uncertainty. So although it makes sense to be open minded about the possibility of reviewing the BoE’s mandate, we should also be realistic about the challenges of keeping inflation at the official target. Professor Costas Milas Management School University of Liverpool, Liverpool, UK