My article on inflation and growth in the Independent

So the Bank of England has done it again. Just like last autumn, they have let it be known they might want to sell more bonds at big losses, whilst they plough on with a large sales and repayment programme for government bonds they own. Last autumn it was their statement of intent to sell £80bn of bonds a year coupled with their wish to raise interest rates that started the big bond sell off. Last week it was musings about a bigger sales programme and market expectations of more rate rises to come on the back of poor inflation figures that triggered a similar sell off. As bonds fall so longer term interest rates rise. This matters, as it directly leads to dearer mortgages, threatening those who need to renew their loans with a further unwanted cost of living squeeze. Dearer and scarcer mortgages also means fewer new homes will be built, exacerbating our homes shortage. It's the last thing we need now. Stop the bond sales at these low prices. Let the bond portfolio roll off as the bonds fall due for repayment.

The Bank needs to own up to the big mistakes it made in 2021, keeping rates too low and paying crazy prices for far too many bonds. Now all it wants to do is to sell too many bonds at much lower prices and big losses. This erratically destructive policy if pursued too far will lurch us from too much inflation into recession. The Bank needs to revisit its models for forecasting inflation and output. In 2021 it was forecasting 2% inflation for today, yet it came in five times that as 2023 began. The Monetary Policy Committee declines to report and comment on the amounts of money in circulation, the state of credit and other issues which you would have thought a Committee with Monetary in its title might be interested in. They should ask themselves why price inflation stayed low in Switzerland, Japan and China, all big food and energy importers and look at their different targets and analysis to steer their economies.

UK inflation results from too much cash and credit chasing too few goods and services. The Bank needs to get amounts of money in better order, and not lurch to too little. The government could help with the too few goods. The UK is chronically short of capacity of many kinds. We need to grow more of our own food, produce more of our own electricity and gas, make more of our own steel, cars, ceramics and the rest. Price controls, windfall taxes and higher business taxes make that less likely and will make inflation worse. Bring on the food growing grants to replace the wilding grants. Bring on the end of windfall taxes now the windfall surge in global oil and gas prices is over. Set corporation tax competitively. This will bring in more investment, encourage home based expansion, and start to correct the capacity shortages that damage us today. The current model is subsidy driven with government needing to offer large sums to get a single new car or battery

factory over the line.