

The Bank of England lets its Magic Money tree wilt

Great news. The Bank of England has reviewed its money policy over lockdown and the period 2020 to 2022. It has concluded it worked well against a very difficult background. It thinks it can repeat its successful Quantitative easing operations in the future. Meanwhile it's best to sell lots of bonds and lose lots of money. They think

1. The big inflation had nothing to do with the creation of £450 bn to buy bonds at very high prices and the suppression of interest rates. It was the Ukraine war that gave us inflation. It is irrelevant that Japan, Switzerland and China who all import a lot of energy did not have the same high inflation.

They think

2 It is crucial that the Monetary Policy Committee does not consider the quantity of money. It is right to ignore it and not to monitor it or report on it.

They think

3. The big sell off in government bonds under Liz Truss had nothing to do with the Bank's decision to sell £80 bn of bonds or with the decision to increase interest rates .

They think

4. The current recession is necessary to complete the task of bringing inflation down. Later this year it will be necessary to lower rates to provide stimulus to get some growth back, but there is no need to hurry.

So there we have it. A Bank whose main task is to keep inflation to 2% is blameless when it goes to 11%. A money policy committee is right to ignore money and believe they can print as much as they like without causing inflation. A Bank can sell lots of bonds at huge losses and send the bill to the taxpayer but that has no bearing on recession or government finances. April 1 is a great day to remind people of these findings.