

The Bank of England plunges us into inflation

The Establishment tells us the Bank of England is independent. They remind us that the Bank is charged by law to control the creation of money and the rate of interest in order to keep inflation at around 2%. Inflation is currently at 5.4% and is widely forecast to rise above 6% by April, more than 3 times the target. Inflation as measured by the old RPI index is already at 7.5%.

It is curious that the defenders of the idea of an independent Bank do not criticise it for such a failure, nor offer explanations of why this has happened. Most are happy for the government to take the blame, forgetting they could not tell the Bank to print less money or to raise the interest rate.

I supported the massive creation of cash in 2020 and the ultra low rates. The anti covid measures were a huge hit to output and incomes so there did need to be a large offset. When the recovery gathered pace in 2021 I advised the ending of money printing or QE by the Bank. It was obvious inflation would take off if the Bank kept boosting the amount of money.

The government got away with the massive money printing when the economy was in covid measures depression. They could allow the Bank to print and they could spend it routed to them as near zero interest loans which the state then bought up. These are not state debts we now have to pay off as the state owns the debt as well as owes it. Once the economy showed strong recovery then printing, borrowing and spending returned to being inflationary as Latin America and Zimbabwe can tell you.

The Bank was right at the end of last year to at last end QE or money printing. The Fed has carried on printing and has presided over a worse inflation than we have. It should stop immediately. The Bank of England should now be careful not to overdo further tightening as they and the Treasury are now slowing the economy too much. It would be quite wrong for the Bank to tighten when the Treasury is about to increase taxes far too much.