Too much money – inflation Too little- recession

Yesterday I criticised 3 big boom/ bust cycles that came from Bank action and establishment thinking. In each case they ignored money and credit.

The 1975 inflation high peak followed a doubling of broad money 1970-4 as a result of a badly supervised switch to competition and credit control policy by the Bank.

The 1992 inflation followed a 36% surge in broad money 1989-92, brought on by the dangerous European Exchange rate mechanism. IMF figures clocked broad money growth peaking at 86% when the Bank and Treasury were creating billions of pounds to try to keep the value of the pound down to the permitted target. They then saw it plunge to a low of minus 28% when the Bank was busily buying in pounds trying to get the value back up to the target after the inflation sank the currency.

The 2008-9 banking boom followed and created a 66% surge in broad money Q1 2009 compared to Q 12005. Over the Labour years 1997 to 2010 money growth trebled.

The more recent inflation followed 30% money growth 2020 to 2023.

I set out the case against the European Exchange Rate Mechanism before we entered. I urged the government to turn down the Bank and Treasury advice. I explained it could lead to excessive money or too little. It led to both. I took the quoted company I led out of the CBI because the CBI refused to accept ERM membership would be damaging.

In the run up to the crash of 2009 I supported the Opposition in Parliament who regularly warned of excessive credit expansion and government overborrowing.

This time round I warned against the continuation of QE during 2021-2 as inflationary. More recently I switched to warning against excessive bond sales as recessionary.

Why do the Bank and Treasury persist with boom/ bust policies?