

Why does the Commons fail to argue over money printing?

For the last 14 years the main instrument of monetary policy has been the creation of many more pounds by the Bank of England to buy up government debts. This has occurred under Labour, Coalition and Conservative governments. No opposition has ever opposed it or any part of it. The Bank has now created a massive £975bn of new money to buy bonds. This swamps the sums we normally debate around budgets.

Some MPs ignorantly say they do not challenge this because it is the actions of an independent Central Bank. If they read the documents they would discover that the Chancellor has to approve and sign off every pound so created. More importantly he is also required to take all the risk on the bonds, indemnifying the Bank of England against any losses, as the sums involved are large in relation to the size of the Bank and its capital. The fact that taxpayers are now the proud owners of £975bn of bonds liable for losses via the Treasury should you would have thought concentrate the minds of MPs and lead to debate.

Some MPs say they did not need to debate it because they agreed with the policy. Now, however, many MPs are angry about the high levels of inflation we are currently experiencing. They should re examine their past support for the money printing which is one of the reasons we now have the inflation we are experiencing. It seemed clear to me and few others last year that the Bank and Treasury were continuing with more money printing than was sensible well into the recovery. I did back the money printing in 2020 as a necessary part of the offset to the deeply damaging economic impact of lockdowns .

Today Parliament needs to consider how it should handle these issues in future, given the problem of inflation from past Treasury/Bank monetary policy. How much money will taxpayers lose on the bonds that have been bought? As interest rates go up, so the value of the bonds held usually goes down. Does that matter? The deal the Treasury gave the Bank means there will be no trouble for the Bank, as in addition to the guarantees there is the promise of top up capital if ever the Bank's free capital falls too low.

In these conditions it is difficult to see why so many MPs including the Opposition think the Bank is independent. They also need to ponder the significant power the government has when it comes time to choose a new Governor.

The MPC and the current Chancellor added £200bn to QE in March 2020, £100bn in June 2020 and £150bn in November 2020, with payments under each programme spread out over the months that followed through to end 2021.