

# Are the western Central Banks going to make a habit of getting it wrong?

The UK, Euroland and the USA all have “independent” Central Banks, all are charged with keeping inflation around 2% and all presided over inflation surging to around five times target. They all blamed energy prices that were driven up by the Ukraine war, ignoring inflation well above target before the invasion. They do not ask how Chinese inflation stayed around 2% and Japanese around 3% despite importing a lot of energy. Nor do they tell us why inflation has stayed high long after the oil price subsided.

All three printed large sums of money and deliberately paid very high prices for bonds in 2021 during recovery , driving interest rates to very low levels. They stubbornly refuse to even accept the inflation in assets they created let alone the more general inflation these irresponsible policies were bound to cause.

Now they have lurched too far the other way. Cutting the money supply, selling bonds off or accepting maturity repayments at big losses they are trying to bring on downturns. The Bank of England’s rate rising announcement of large bond sales undermined the pension fund/LDI market so they temporarily had to reverse the bond sale policy and buy up some more. The Fed has helped undermine some large US regional banks with bond price drops and had to tip an extra \$400 bn of money into markets to stop a wider collapse.

All 3 Banks should invite in some new people and new thinking. They have done damage through inflation and slowdown policies. They need to monitor and understand the path of money and credit growth to avoid these big errors.