

Bank of England hits new low in its analysis and decisions

The latest MPC meeting was hopeless. There was once again no recorded discussion of money and credit. There were generalised banalities about overseas economies that sounded as if they been taken from a newspaper comment. There was no consideration in the report of how the fall in money will transmit through the banking system. There was no consideration again of why Japan and China had avoided the high inflation the Bank has created here. There was the usual alibi comment that rises in global prices like oil are a given and can cause inflation.

Worse still was there was no explanation of why they persist in wanting to sell £100 bn of bonds at large losses. There is no proper consideration of the impact this will have on long rates in the market and on money. Just as the Bank refuses to discuss or accept its extreme money printing and bond buying had any effect on the inflation so now they refuse to see the adverse impacts of the reverse. Indeed they seem to think these policies are asymmetric. They thought buying bonds at ever crazier high prices was a positive on prices and output when they thought they were fighting deflation. They now think there is no negative effect when they switch to selling bonds at ever lower prices and bigger losses.

The Treasury continues to reimburse them for huge and unacceptable losses. It should tell them to stop the sales. The ECB who made a similar inflationary error by creating money and buying bonds is not making the opposite mistake of selling them in the market at needlessly high losses. The Bank should on this occasion learn from the ECB. Instead they will not even talk about their error, just as they refuse to accept printing loads of money was inflationary.