

The Bank and recession

A few days ago the government celebrated news the UK unlike Germany has escaped recession so far, and welcomed IMF forecasts showing no recession ahead. Now a clumsy Bank of England has driven bond prices down so mortgage rates up as it needlessly threatens more bond sales at depressed prices. There is talk of needing a recession to control inflation.

This is dreadful continuing mismanagement. Why did the Bank carry on with bond buying at very inflated prices for so long? Why was it forecasting 2% inflation for now just two years ago? Why does it not study and comment on huge changes in money and credit which must have a bearing on inflation and output?

The Bank told us it got inflation wrong because it did not foresee the Ukraine war and spike in energy. But why was UK inflation at 5.5% before the war? Why did non energy prices take off? Why did Japanese and Chinese inflation stay low despite energy rises?

The Bank needs to revise its models and try to bring them more in line with what is actually happening to inflation and output. It should not respond too much too late every time, making the cycle worse.