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It would be hard to overstate the importance of an article in the latest edition of the Bank of England's Quarterly Bulletin. Entitled 'Money creation in the modern economy' it is hard to know where to start quoting from the piece, so I will start with its conclusion:

This article has discussed how money is created in the modern economy. Most of the money in circulation is created, not by the printing presses of the Bank of England, but by the commercial banks themselves: banks create money whenever they lend to someone in the economy or buy an asset from consumers. And in contrast to descriptions found in some textbooks, the Bank of England does not directly control the quantity of either base or broad money. The Bank of England is nevertheless still able to influence the amount of money in the economy. It does so in normal times by setting monetary policy – through the interest rate that it pays on reserves held by commercial banks with the Bank of England. More recently, though, with Bank Rate constrained by the effective lower bound, the Bank of England's asset purchase programme has sought to raise the quantity of broad money in circulation. This in turn affects the prices and quantities of a range of assets in the economy, including money.

I have been arguing that this is the case for many years. So have people like Ann Pettifor and Frances Coppola. And to be candid, we've been treated as little short of mad for saying so. The reason for that is obvious: we had the temerity to challenge the standard economics text books on this issue and say that money does not work in the way they say it does. Now the Bank of England has confirmed that we were right to do so.

We were right to say that money is created out of thin air when banks lend to their customers.

We were right to say that it is lending that creates deposits, and not saving that does.

We were right to say that saving is not a pre-condition of lending, or as a result of growth.

We were right to say that quantitative easing was an exercise in money creation and that there is, as a result, no reason to unwind it.

And we were right to say that 97% of all money is a confidence trick - it is as good as your bank's ability to repay it to you because it only exists as a liability on their balance sheet.

That, I admit is a pretty staggering list of things to say that a group of economists, largely working outside the mainstream, were right about when the mainstream - including almost all those teaching undergraduate economics, and many of those who took that teaching into their work - were wrong.

But, being right is one thing, satisfying as it is. Working out the implications of this admission - which are potentially huge - is another thing altogether. That's something I will return to, hopefully later this morning.