

On Sunday the Bank of England said it would not fund th...

Published: January 13, 2026, 10:01 am

At the weekend Andrew Bailey, the Governor of the Bank of England, [said that the Bank would not engage in direct monetary funding \(DMF\) of government spending](#). He was adamant that this was the route to monetary hell. I admit that I was withering in my contempt for the crassness of his comments.

This morning [the FT has reported that](#):

The Bank of England will directly finance the extra spending needs of the UK government on a temporary basis, the government announced on Thursday, allowing the Treasury to bypass the bond market.

The move highlights the extraordinary demands on cash the government has experienced in recent weeks, which it feels it cannot finance immediately in the gilts market.

In a statement to financial markets, the government announced it would extend the size of the government's bank account at the central bank, known historically as the "Ways and Means Facility," which normally stands at just £400m.

This will rise to an undisclosed amount, allowing ministers to spend more in the short term without having to tap the gilts market. In 2008, a similar move saw the Ways and Means Facility rise briefly to £20bn.

This direct monetary financing of government would be "temporary and short-term", the Treasury said in a statement.

I would like to point out that the national debt was also temporary in 1694 and we have had it ever since.

This time we are likely to also have direct monetary funding in perpetuity: nothing else is going to get us out the crisis that we now face.

As [Keynes knew in 1940](#), governments can always create money at will.

And when the whole of the developed world faces the same crisis that we do, and all will also be doing DMF, the exchange rate risk of this is precisely zero.

Welcome to the new paradigm of government funding where we realise that governments pay for themselves, as some of us have always argued that they can, and did.

Farewell taxpayer's money then: welcome to the realisation that what governments spend is all their very own.

And one postscript: how long should Bailey stay in office, having now proved that he is not the man for the moment?