

Some basic lessons for the Governor of the Bank of Engl...

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I [have already noted](#) the incompetence of the Governor of the Bank of England once this morning, Let me do so again. As the [Guardian](#) reported yesterday:

Britain came close to effective insolvency at the onset of the coronavirus crisis as financial markets plunged into turmoil, the governor of the [Bank of England](#) has said.

Laying bare the scale of the national emergency at the early stages of the pandemic, [Andrew Bailey](#) said the government would have struggled to finance the running of the country without support from the central bank.

This is a quite staggering claim which shows the utmost stupidity in the part of Bailey.

What it seems that he has failed to notice is that the Bank of England is owned by the government. And its job is to provide the government with money on demand without limit so that the government can never go bust, which is what happened in March.

He's also failed to notice that he is not some superhero for graciously agreeing to do this. He's actually a civil servant who was doing exactly what was required of him. It's the part of his job that goes with being in charge of the lender of last resort in case he hadn't noticed. But apparently he hasn't.

Just as it also seems that the Governor is unaware of the basic rules he needs to learn that govern the size of the Bank's balance sheet. If we have inflation that balance sheet is too big. If we have unemployment it's too small. That's it. That's all he needs to know. And it's not hard. But right now we have unemployment and he wants to shrink the balance sheet.

So why is he doing that? Let's presume he has a reason.

Is it that he thinks he must uphold the failed neoliberal order?

Is it that he thinks central bank independence his priority because the Establishment cannot trust democracy?

Is it that he is unaware of the economy and unemployment to come?

Or does he really believe in a V shaped recovery that will deliver a complete bounce back when no one else does?

Or could it be that he does genuinely think the Bank is independent and really does do the government favours - for which he is to be personally thanked?

Is it that he does, then, think the money he creates is an exogenous variable when Bank of England money is / should be endogenous?

I genuinely don't know the answers to any of those questions, but amongst them must be the clues as to why he's done this if he is not incompetent (which the timing would anyway suggest, come what may) so he must hold some or all of these views.

And without exception they're worrying.