

The European Central Bank intends to cover the EU's def...

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As [the FT noted](#) yesterday:

The European Central Bank has added an extra €600bn to the bond-buying programme that it launched to support the eurozone's pandemic-stricken economy as it steps up its efforts to stop the region sliding into a deflationary spiral.

The move to increase the ECB's pandemic emergency purchase programme (PEPP) to a new total of €1.35tn was slightly larger than most economists' expectations and means the central bank is on track to buy a record total of more than €1.7tn of assets this year.

To contextualise this the FT noted that:

The ECB also extended the timeframe of its emergency bond-buying scheme until June 2021 and said it would "continue net asset purchases under the PEPP until it judges that the coronavirus crisis phase is over".

And they added:

Some investors had worried that the bond-buying plan would not be sufficient to soak up the extra debt of between €1tn and €1.5tn that eurozone governments are expected to issue this year, leaving some of the worst-hit countries, such as Italy, facing a surge in their borrowing costs.

So what does this mean? Rocket science is not required to interpret this message. It is that the ECB has every intention of absorbing the entire cost of the coronavirus crisis to EU member states on its own balance sheet by the creation of new euros that will be used to cover that cost.

The intention is very obvious: net EU government debt will not rise this year despite the very obvious increase in notional borrowing that countries will appear to taken on because the ECB will ensure that none of it, in effect, reaches the bond market.

So, when the question is asked 'who will pay for the EU's coronavirus crisis?' the very obvious answer is that 'the European Central Bank will'. And that is right. It will.

That's what modern monetary theory does: it lets us take such crises in our stride and move in, without fuss, and without wholly unnecessary long term economic suffering resulting from austerity, because the cost will have already been covered which is what the ECB is doing.

It's just time that this was acknowledged.