

The government's not telling the truth about its fundin...

Published: January 13, 2026, 12:31 am

As the [FT notes this](#) morning:

The Bank of England is expected to increase its asset purchase programme by at least £100bn on Thursday in a bid to ensure stability of financial markets at a time of huge government borrowing.

Economists are almost unanimous in predicting the bank's Monetary Policy Committee will keep the benchmark rate unchanged at 0.1 per cent but extend its quantitative easing programme, in which it creates money to purchase government bonds in large quantities alongside a much smaller amount of corporate debt.

I note this to make three points.

First, this is the second instalment of QE this year, bringing the total to £300 billion.

Second, as with the first instalment of £200 billion this one is being created before large issues of government debt take place as a result of the deficit that the coronavirus is creating.

Third, the sequencing is the key issue here. In effect the Bank of England is deliberately injecting the funds required to buy new debt issues into the market in advance of those debt issues taking place to guarantee an increase in demand for gilts by doing so, and in the process is ensuring all new debt issues will be fully subscribed.

What this means is that the government is in effect using the Bank of England to fully fund the coronavirus deficits, but is not admitting to the fact whilst happily letting discussion continue on 'where's the money going to come from?' when that issue has already been resolved because the answer is 'from itself' because it's already created all the necessary money in question, whilst also giving markets a wholly unnecessary cut, as usual.

What we're seeing going on then is a mighty silly game of charades so that the government can continue to claim that pressure from the markets means it is

constrained in what it can do, when that is simply untrue; the Bank of England can claim it is independent when it very obviously is not; and the narrative that government must be shrunk because the amount of debt that can be issued is limited when so far this year no new debt will have been issued at all can be kept in place by the Austerians.

A little fiscal honesty would help enormously.

Let me provide it.

The Bank of England is currently entirely funding the government's deficit by new money creation and that is likely to remain the case for some time to come, meaning that no one need worry about whether the money to fund a recovery is available or not, because it is.

Now, was it that hard to say?