A desire for sober economic management might, right now...

Published: January 13, 2026, 5:40 am

Gavyn Davies has an article in the FT this morning in which he discusses the contradictory messages put out by the Bank of England on whether or not it is supporting direct monetary funding of the UK government. He concludes:

In my view as long as the contractionary and disinflationary effects of the pandemic are prevalent in the major economies, central bank financing of extraordinary government debt ratios is entirely justified and is likely to underpin low but positive returns in equities and credit.

Perhaps unsurprisingly, I agree. I also agree with this, which followed:

A sudden debt and sterling crisis, which would be catastrophic for returns on UK assets, may seem a remote possibility. But so did a global pandemic a year ago. The public sector balance sheet has now taken on a new shape, where accidents could happen.

As I noted yesterday, a week ago I would have thought the risk of such accidents was so negligible as to be completely worth ignoring, but I now think complete UK economic meltdown is a possibility given the now apparent combination of this government, its disaster driven economic policies, its provocation of the EU and increasing COVID-19 infection. In that exceptional circumstance, an increase in quantitative easing might exacerbate a crisis rather than help it. And so Gavyn Davies comes to a conclusion that I also reach:

This requires careful and sober management. Clear, consistent messages from the BoE are a critical requirement for maintaining financial stability.

The difference is that I suspect that he thinks that sober management is possible, but I do not given that it will be directed from Number 10 Downing Street.