

There are some realists at the Bank of England

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Reuters appears to be almost alone in reporting [comments made by Bank of England Deputy Governor Dave Ramsden](#) to the Treasury Select Committee yesterday. As they record:

Ramsden told lawmakers on Wednesday that the BoE had estimated the level of Britain's economic output would permanently be about 1.5 percentage points lower than it would have been without the pandemic.

"For me all the risks are really that that number will be greater than 1.5%," Ramsden said.

But importantly, he also noted:

That the BoE had "headroom to do materially more QE if we need to", referring to a possible fresh expansion of the central bank's bond-buying programme which already stands at 745 billion pounds.

They also noted that:

Vlieghe said there was "a material risk" that it could take several years for Britain's economy to return to full capacity after its coronavirus shock.

The BoE said in August it expected Britain's economy to recover its pre-COVID-19 size by the end of next year.

Ramsden is right. The August BoE forecast is wrong. The UK economy is going to get very much worse compared to pre-coronavirus situations before it gets better and as a consequence there will be a need for very much more quantitative easing.

Where he was wrong was to imply that this might be needed to address market dysfunction, implying that this might be a short term issue. Instead quantitative easing, or better still, direct monetary financing of the government by the Bank of England, is going to be required to address the need for a stimulus and support package beyond

any that has ever been imagined before, and which can be supplied by the Bank without risk of inflation arising because unemployment will be so high.

At some time it is going to be appreciated that the prescription that modern monetary theory describes is the only way out of the situation that we are in. Ramsden does at least hint that some may be aware of this at the Bank. For that we have, I suppose, to be grateful.