

## Asset swaps - forthcoming

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I have noted the continuing questions being thrown at me for saying quantitative easing is not a simple asset swap.

I could respond to those questions in a number of relatively simplistic ways. For example, I could argue from the perspective of a government that initiates quantitative easing, this cannot be an asset swap, because both central bank reserve accounts and government bonds are liabilities on their balance sheets as things stand at present. Superficial as that sounds it is of considerable significance because within the context of political economy - which is one of the big issues that those within the modern monetary theory camp are ignoring here - power relationships matter, and the government is always in the driving seat on this issue. That is one of the key issues that I intend to address on this matter.

I could also respond by noting that the idea of an asset swap is extraordinarily limited in treating central bank reserve account and bond balances as if they are only stocks, with no associated flows when it is the latter which have as much impact upon society, and both can hold status as assets, liabilities and flows all at the same time because that is what double-entry permits, and much of this is about double entry.

Talking of double-entry, I could also very straightforwardly argue that the suggestion that there is an asset swap without ever considering the other sides of the entries in question, when it is impossible for a debit to be replaced by debit without at least two credit entries taking place in the books of the parties that are associated with the arrangement, is just wrong.

But, the truth is that I also want to address this issue at a more fundamental level, looking at what has actually happened to explain the very partial view implicit in the asset swap argument. I then hope to explain the phenomenon that we are actually observing within government financing. This is important, not least if modern monetary theory is to live up to its billing as the tool that describes how money works in an economy. That, however, requires me to take back into some old data sets that I've been assembling for a long period of time (up top 20 years), and to create some new

ones, not just for this purpose, but for other goals that I have in mind, including that possible book on how money works. That will take time, and when it is delivered the answer will be, I hope, fairly comprehensive. But please don't push me for it in the meantime, because this will take some effort.