

We are in a deep economic mess that can only get worse ...

Published: January 13, 2026, 8:49 am

The [FT has just reported](#) in an email that:

The European Central Bank has called an unscheduled meeting of its governing council to discuss the recent sell-off in bond markets, raising the prospect it could announce a new tool to tackle surging borrowing costs in weaker eurozone economies.

I am unsurprised. Of course we have disorderly bond markets. They are the deliberate creation of central bankers, led by the Fed and the Bank of England, with the European Central Bank planning to follow suit.

And to compound issues we now have the Bank of England beginning quantitative tightening - or QT as it is called in the jargon. This is the policy of either selling back government bonds by the central bank bought during the QE programme to the financial markets, or the policy of not reinvesting proceeds in new bond acquisitions when bonds purchased under that programme are redeemed by the Treasury of the country that issued them.

More than £25 billion of QT [has now happened in the UK](#), denying the government funds that it has instead sought to raise by increasing national insurance.

And as the [FT reports this morning](#) QT is now also starting in the US:

The mammoth task of shrinking the Federal Reserve's \$9tn balance sheet has finally begun. On Wednesday, the US central bank will stop pumping the proceeds of an initial \$15bn of maturing Treasuries back into the \$23tn market for US government debt, the first time it has done so since it kicked off its bond-buying programme in the early days of the coronavirus pandemic.

But, in an article that is shockingly error-strewn as the nature of banking and money, what the FT also notes is that the last time the Fed tried to do this the policy led by 2019 to disaster, with overnight lending markets seized up, suggesting the Fed had pulled too much money out of the system.

That was before Covid, war, sanctions, recession, global supply chain chaos and more. Now we have all them. But the Fed is trying again.

So, of course markets are in chaos.

Of course there will be liquidity crises.

Of course countries who do not borrow in their own currencies will fail.

Of course recession will follow like night does day.

And all this because the central bankers want this to happen.

And then they are surprised. But that is because, as Prof Danny Blanchflower pointed out yesterday in the Evening Standard, that is because they appoint incompetent 'yes men and women' to central banks who will do the bidding of neoliberal governments.

We are in a deep economic mess that can only get worse, and that very largely is the fault of central bankers who want to turn a short term inflation into a long term stagflation, and who look like they might just succeed in doing so.

Oh, and for those who are wondering why they might want this, it's because the opportunity for making banking profit is much greater in unstable and chaotic markets than it is in stable ones. I cannot, barring ignorance of economics, find another explanation for what they are doing.