Only Bank of England intervention can save the economy …

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In the FT this morning:

Letter: Only BoE intervention can save the economy from meltdown

From David G Blanchflower, Lord Sikka and Richard Murphy

The Bank of England © Maja Smiejkowska/Reuters

3 HOURS AGO

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There has been much discussion of the impact of increasing energy costs on households and the impossibility for many of settling the sums that will be demanded of them ("Millions face energy poverty as household bills set to surge 80%", Report, August 27).

We share those concerns but are as worried that in this debate the wider impacts of energy price rises, interest rate increases and other causes of inflation are being ignored when consumer confidence, which is predictive of recession, is now below levels seen since the series started in 1974.

Households that cannot pay for energy, food, their rent or mortgages will stop spending on everything else. The knock-on effect of that on the retail, leisure and hospitality sectors will be significant. Many companies will fail. It is likely that millions of jobs will be lost. Mortgage repossessions and tenant evictions will increase. Public services in education, health and care will also be drastically impaired due to rising bills. The likelihood of recession on a scale not seen since the 1930s is very high.

None of this is necessary. In 2008 and 2020 economic crises were averted using government-created money and the Bank of England's quantitative easing process. Interventions on those occasions were of £150bn or more. It is quite likely that a further £200bn will be necessary in the coming year if the meltdown of our economy is to be avoided. Intervention on such a scale, coupled with cuts in interest rates, energy price reform, nationalising energy supply and investment in new technologies could save us from the catastrophe currently awaiting us.

Not much else can.

David G Blanchflower
Bruce V Rauner Professor of Economics, Dartmouth College, Hanover, NH, US

Lord Sikka
Emeritus Professor of Accounting, University of Essex, Colchester, UK

Richard Murphy
Professor of Accounting Practice
Sheffield University Management School
Sheffield, South Yorkshire, UK