

Funding the Future

Article URL

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I tweeted this thread this morning and as I write it on Twitter this is the way I will share it here:

 **Richard Murphy**
@RichardJMurphy

...

It is not clear what the Governor of the Bank of England wanted to achieve through his intervention in markets last night. The signals overnight are confusing and deeply worrying. The likelihood of a massively turbulent and costly day is very high. A thread.....

7:31 AM · Oct 12, 2022 · Twitter for iPad

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 **Richard Murphy** @RichardJMurphy · 31m
Replies to [@RichardJMurphy](#)

...

By turbulent I mean politically and economically. The second part is the easy bit. Given the total confusion the pound may well fall again and interest rates may rise. Politically, Truss and Kwarteng have been left with no choice but withdraw their budget by Bailey.

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 **Richard Murphy** @RichardJMurphy · 31m

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Whether Bailey intended that is not, however, clear. As [@D_Blanchflower](#) has said, his intervention saying that pension funds must sort themselves out by Friday was as logical as a doctor saying get better in three days or I will withdraw your drugs, which were working.

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 **Richard Murphy** @RichardJMurphy · 31m

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What is likely is that Bailey implied that he does not believe in QE and does not wish to use it when its use is essential this coming year to help fund the energy price support package. If so then he is playing deeply dangerous political games. The City is demanding austerity.

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 **Richard Murphy** @RichardJMurphy · 31m

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I think it likely that there is a power struggle going on. Bailey says his, the Bank, and the Treasury view, that the economy is like a household must prevail and politicians must not fight the misery recessions cause, but most tell the country to live with the pain.

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 **Richard Murphy** @RichardJMurphy · 31m

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We have seen Bailey doing this all year, telling people that they must not ask for inflation matching pay rises. Now he is saying if pension funds fail, so be it. That is a price worth paying to prevent QE and to let him actually reverse it, which was his stated plan on 22 Sept.

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 **Richard Murphy** @RichardJMurphy · 31m

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Let's see, Bailey could not be more dangerous in saying this. He clearly does

I then added this:

 **Richard Murphy** @RichardJMurphy · 12m ...
My morning summary. Kwarteng and Truss are frightened chickens heading for the slaughterhouse. Meanwhile, BoE governor Bailey has gone rogue, and even mad with power. And now the Bank itself is trying to disown him. Utter chaos and a disaster for the UK.
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What is clear is that no one is in charge, and those that think they are appear to be completely clueless, but power mad. Apart from that, all is just fine in the world this morning.

Of course, they may not be power mad: they may just be clueless. In that case, there is no coup, just mayhem instead. But I can't explain Baliey's actions with that option, because he chose to intervene as irresponsibly as he did and he must have had a reason, even if it has not been stated.

Likewise, the Bank must have a reason for overnight saying they may provide continuing support for markets even though he suggested yesterday that it will end on Friday. In other words, they may have begun a counter-coup whilst he is in New York at the IMF. I think that is plausible.

Whatever the case, I think the best explanation is a power struggle. But whoever wins, I doubt we will. And that is the nightmare scenario to come.

Today has the making for being a disaster, but who knows? It is apparent that those in charge do not.