

Waking up to money: my arguments on BBC radio this morn.

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I am writing this having already been on BBC 5 Live this morning at 5.20am and knowing that by 6.15 I will be repeating the performance on BBC Radio 4's Today programme.

On both occasions I am up against a bond trader, and on Radio 4 against a banker. The BBC assumption is that bond traders rule the world, and that they must be appeased come what may.

I disagree, of course. Whilst I know that Truss and Kwarteng made a total mess of their mini budget, failing to deliver the data to support their assumptions, which is what left the market in confusion, the reason why we have a crisis is not entirely down to them or interest rates would now have fallen below 2% again, as they were in the summer, and they have not. They are around 3.6% on government bonds this morning. Their big mistake was in not understanding how the Bank of England was undermining them.

It is the Bank of England that is trashing the UK economy right now. It is putting up interest rates to copy the US Federal Reserve. It will do so again next week. And it is planning to sell £80 billion of the government bonds that it owns as a result of the quantitative easing programme over coming months to again force up interest rates by demanding maximum cash from the financial markets. Letting the Bank of England pursue this agenda was Truss and Kwarteng's big error.

The combined mistake the Bank, markets and Truss made was in believing that interest rate increases are required to stop inflation caused by events external to the UK. It cannot and will not. Interest rates here have no impact at all on increasing gas and imported food prices. The Bank of England have their policy wrong.

Their second mistake was in accepting that inflation is an ongoing issue. It is not. Inflation is calculated as a comparison of price levels one year with price levels the previous year. It does not measure absolute prices. It measures relative prices. So, this year prices are high compared with those before Putin's war. But by next April the comparison will be between prices that are high because of Putin's war and prices also

high because of Putin's war. So inflation will fall, significantly. That will not be because of rising interest rates. It will be because that's the way the maths works. There is nothing more to it than that. In that case we simply do not need interest rate rises.

Nor, most particularly, do we need the Bank of England to reverse QE right now by selling £80 billion of bonds. If there is capacity within markets to buy bonds - and the Bank obviously thinks that there is - then the need is to sell government bonds to keep funding for education, the NHS, defence and benefits going (all the rest is incidental compared to them).

In summary, we do not need rate rises to tackle inflation and we do not need to reduce the size of the Bank of England balance sheet. The Bank has almost all its policy wrong. Instead, what we do need to do is reduce the threat that children might go hungry, people might not have roofs over their heads, businesses will collapse and people will be unemployed. That is the priority.

So, what must the government do? It must tell the Bank of England to slow and then stop interest rate rises, before reversing them, which programme has to start now.

It must also tell the bank to stop selling its bonds, which it is completely entitled to do since they will be sold at a loss and the Treasury has to underwrite that loss and so has the ability to stop it happening.

And then the government has to borrow more to cover the cost of the commitments to the people of this country to supply decent public services that it must honour if we are to avoid recession.

And that borrowing the government has to make will, if my plan is followed, only be a substitute for the bond sales that the Bank of England is planning to make, so we know that the markets think the capacity to buy bonds to that amount exists.

This plan completely fills the so-called black hole in government funding and simultaneously keeps the public services intact.

I would actually go further and use QE to cover the cost of the energy crisis, providing extra funds as a result for additional investment programmes to provide the economy and sustainability with the boost that they need, but I will not have time to address that on air.

My key point is simple. It is that we do not need austerity now: we need more government spending instead.

PS Having now done the interviews that, I think, is the message I very clearly got

across.

PPS The interviews can be heard again on the BBC Sounds app. Radio 5 was 5.20 and Radio 4 6.15

PPPS Now to take a snooze before restarting the day.