

Economics rarely comes much nastier or more deceitful t...

Published: January 13, 2026, 2:58 am

I posted this thread on Twitter this morning:

The Bank of England began [quantitative tightening](#) yesterday. It sold £750 million of its supposed bond holding acquired during quantitative easing programmes back to financial markets. That is very bad news for ordinary people. A short(ish) thread...

First, quantitative easing (or QE) was used to fund government deficits after the 2008 financial crisis and during the Covid era. The government has never admitted that, but since when did a politician tell the truth?

In those periods the government created money, via the Bank of England, to pay for its spending. Then it issued bonds to supposedly reclaim that money from the financial markets. Then the Bank of England created more money to buy those bonds back from the financial markets.

It that seems a convoluted mechanism, it is, and that was deliberate. The whole thing was designed to pretend d that the Bank of England (BoE) can't create new money whenever it is desired for the government, when in fact it can and does so every day.

QE was always a con in that case: it was a sham to cover up the fact that the so-called magic money tree that politicians were desperate to claim did not exist was in use and was paying for government spending. Everything about QE has always been a lie.

The result of QE was not that government debt in terms of bonds in issue rose. [The figures that suggested that was the case](#) issued by the Office for National Statistics (ONS) were also a lie.

Since over 30% of the government debt they have said is owing is owned by the government now their claim was obviously not true: you cannot owe yourself money. The Whole of Government Accounts ([which have not been issued since March 2020](#))

prove this: QE is shown in them as cancelling debt.

The Whole of Government accounts say there were £1.1trn of gilts in issue in March 2020. The ONS reports a figure of more than £1.5trn. The difference was QE, which at that time was a bit over £400bn. Only one of these figures is right and it is not the ONS data: QE effectively cancelled gilts.

This did not mean debt went away: what it actually meant was that the amount of money owing to the UK's commercial banks had grown by near enough the value of QE, or over £400bn at that time. This increased to about £900bn after the Covid era.

The logic for this is easy to explain. If the BoE creates money as debt it has to be owed to someone. It was owed to the commercial banks, and not to itself as the owner of government bonds. It would have been so much easier to tell the truth.

So having covered the mechanics, why was QE done? 1) To fund the government when tax and borrowing could not 2) To keep interest rates low as a matter of policy 3) To recapitalise the banks after 2008 by placing lots of cash on their balance sheets (that £900bn, again).

Now the BoE has decided it wants high interest rates because a) it thinks this will control inflation, which it will not (see yesterday's thread) and b) it wants to trash the economy for reasons I have speculated on elsewhere.

To assist achievement of these goals it now wants to do QT. This involves it supposedly selling the bonds it had previously bought back to the financial markets. There is, as usual, a massive pretence (call it a lie) in this process.

The pretence is that it is these old bonds that are being sold. That is nonsense, of course. They have effectively been cancelled. I repeat: the government cannot owe itself money. It's a pretence that old bonds are being sold in the QT process.

What is actually happening is that, in effect, new bonds bearing the characteristics of the old bonds are being sold. Most people are being fooled by that, but we should not be: it is the substance that matters here, and the substance is that these are new bond issues.

So why is this being done? A) To use up market capacity to buy government bonds so that new bonds cannot be issued to supposedly finance current government spending, so reinforcing the policy of austerity B) To force up interest rates to support the policy of trashing the economy.

C) To reduce the size of the BoE balance sheet by reducing the amount of money on deposit with it held by the UK's commercial banks. The proceeds of these bond sales are not, in that case, being released for public benefit.

In other words, not only is the BiE trying to directly harm the well-being of individuals and companies within the economy by increasing interest rates, it is also seeking to undermine the possible use of bond sales by the government to prevent austerity.

The government then has the excuse that there is no market for selling its bonds and so it cannot use them to fund what it claims to be a black hole in its finances and so as a result it must impose both austerity and tax rises.

What can be concluded from this? First, that the Bank of England is not in any way operating independently of the government in pursuing these policies. It is clearly working very closely with the Treasury to create this artificial supposed public spending crisis.

Second, it is actively supporting penal government fiscal policy that involves austerity and tax increases by suggesting the capacity to sell bonds does not exist simply because it has already extinguished it by making wholly unnecessary bond sales.

Third, the unelected BoE is actively supporting the undermining of public services and public well-being as a result.

I would suggest that the BoE is partaking in a not terribly subtle, but largely unnoticed game of double bluff. The whole intention of its policy is to support the Treasury by saying it is impossible to fund public spending using bonds precisely because it is blocking the means to do so.

QT is not then about reducing the size of the BoE's balance sheet, as the Bank of England claims.

It is instead all about supporting a policy of undermining the public services whilst deliberately trashing the UK economy by creating a wholly unnecessary recession in which the conditions for mass privatisation of the public services are created.

In that case, no one should welcome quantitative tightening: it is a weapon being used by the Bank of England to harm the people of this country. Economics rarely comes much nastier or more deceitful than this.