

# Funding the Future

## QE is back in town - big time - but only for US banks

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As the [Guardian has reported this morning](#):

*Cash-short banks have borrowed about \$300bn from the Federal Reserve in the past week, the central bank announced on Thursday.*

They added:

*Nearly half the money - \$143bn - went to holding companies for two major banks that failed over the past week, Silicon Valley Bank and Signature Bank, triggering widespread alarm in financial markets. The Fed did not identify the banks that received the other half of the funding or say how many of them did so.*

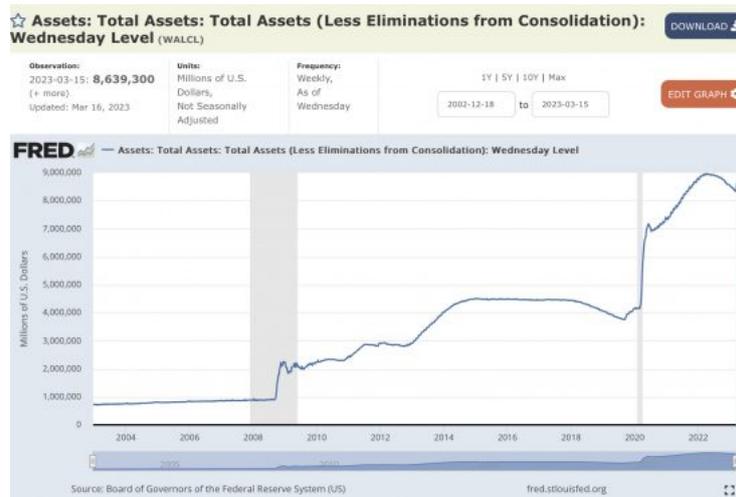
What we do know is that US Treasury bonds owned by the two banks were given as collateral for the loans. So, in effect, the Fed made loans against the security of US Treasuries delisted with it. That is quantitative easing (QE) in all but name.

The impact is clear in [data issued by the Federal Reserve Bank of St Louis](#), almost always the best source of US economic data. This chart shows by how much the Fed expanded its lending into the economy last week:



Half of the reduction in the QE programme to date in the US was itself reversed last week. That is his significant this is.

And, to contextualise this, the following is a longer term chart on this issue:



There have been three serious upticks in QE. They were in 2008, 2020 and last week. To pretend that this is not significant is, in that case, to ignore the evidence.

Switzerland is, of course, now doing something similar for Credit Suisse.

Three thoughts. First, let's not pretend we have not got a new banking crisis; we clearly have.

Second, let's note that quantitative tightening is clearly not working and is, in fact, dangerous.

Third, let's start talking instead about how QE can be used by more than bankers to deal with issues of greater public concern. It is absurd that the ability of the state to create money at will is reserved solely for the benefit of bankers.

This story will run, and probably for longer than most think. We have a banking crisis that has reversed policy in days. It will have to do so in the UK as well. What the Bank of England does next week might be an interesting indication as to whether they have truly and properly appraised the risk as yet.