

Tackling the climate crisis and quantitative tightening...

Published: January 13, 2026, 1:25 am

The FT [has an article this morning](#) that focuses on the aftermath of the bipartisan agreement to lift the US debt ceiling.

In the article it is noted that because of the Biden administration's appropriate and ambitious plans to transform the US economy Treasury Bill issues by the US Treasury might soon be at all time high levels, excluding 2009 and 2020.

There is, however, a problem with that. In 2009 and 2020 the US Treasury was running quantitative easing (QE) programmes. Selling Treasury Bills was not a problem. The Fed's QE programme was buying them.

Now there is a problem. There is a QT (quantitative tightening) programme in place. In other words, Treasury Bills previously bought by the Fed are at present being sold back to the markets. Simultaneously, record numbers of new Treasury Bills are needing to find buyers in that market. The actual real level of sales of Treasury Bills is going to be at record levels.

The [FT notes](#):

"We're running a significant budget deficit. We still have quantitative tightening. If we have a flood of T-bill issuance as well, we likely have turbulence in the Treasury market in the months ahead of us," said Torsten Slok, chief economist at Apollo Global Management.

On this occasion I have to agree with a market commentator. He may be right.

Admittedly, he may not be taking into account the fact that demand for Treasury Bills is high a) because the rates on them are high and b) US banks have suffered runs of late and are unattractive places to deposit money at present, but even so this scenario is the one Danny Blanchflower and I also forecast for the UK earlier this year, with horribly uncomfortable consequences for over-inflated real (inflation adjusted) interest rates.

There is an immediate and obvious way to alleviate this problem. That is to stop QT.

There is no reason to do it, except to force interest rates up. This has already helped destabilise US banks. It could now create further market problems. And no one can explain why central banks do actually need to offload their bond holdings. So it is the obvious thing to do.

There is a second thing to do. That is to recommence QE. I have always said the climate crisis requires it. Biden might just be finding out quite soon that I was right.

There is then a third thing to do. That is to reduce interest rates. There is no reason why tackling the climate crisis need be made artificially expensive.

Will these three things happen? I doubt it, as yet. There will, seemingly inevitably, need to be a crisis first because it is apparently impossible for economists (let alone politicians) to work out the obvious consequence of their actions, which they seem to think can always be appraised in isolation without ever even taking into account the inevitable other side of the transaction, and its meaning.

But, give it time. Biden and the Fed will have to embrace some or all of these ideas or the US economy won't deliver. The sooner, the better, I think.