

Funding the Future

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As predicted, the Bank of England did not reduce interest rates yesterday. They are joining with Labour in trying to create a recession in the UK, which their combined message of gloom will undoubtedly create unless there are changes in policy very soon. You cannot deliver messages of the sort the Treasury and Bank are combining to send right now and not have this outcome when the economy is already fragile.

There was another reason for thinking this in yesterday's announcement. The [Bank said in that announcement](#) that:

The Committee voted unanimously to reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, by £100 billion over the next 12 months, to a total of £558 billion.

In other words, the Bank will raise £100 billion from the City by way of offering new saving facilities to it, meaning that the funds in question will be removed from use in the commercial economy of the country, and then nothing will be done with that money. It will simply reduce the central bank reserve account balances.

£100 billion could be used to end child poverty.

It could fund a Green New Deal.

And the NHS.

And social care.

And a great deal else.

But no, it will instead be forcibly saved so that nothing might happen as a result of its withdrawal from use on the commercial economy of the country.

As a result, two consequences will follow. One is that there will be less commercial investment in the economy: the desire to advance money for that purpose will decline when there is reduced demand in the economy as a result of this money being withdrawn from use.

The other is that interest rates will remain well above required levels, meaning that the continued pressure on households and businesses will continue.

The Bank says that this move is necessary to beat inflation. Inflation has, however, gone for now. So that is untrue. What is this about in that case? It can only be a measure to inflate rates to support banks whilst punishing everyone else with a recession that it looks as is the UK alone might suffer.

And Rachel Reeves is saying nothing about this, whilst Starmer is saying the budget will deliver growth. He's living in cloud cuckoo land if he thinks that likely when the Bank is pursuing policy like this.

Do any of these people have a clue what they are doing, let alone talking about?