

Is the Bank of England wrecking growth?

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Quantitative tightening, high interest rates, and no growth, and all because the Bank of England's policies are damaging households, businesses, and the whole UK economy. Is it time to bring them under control?

<https://www.youtube.com/watch?v=JIU4yFOPtX8&si=1rQ8GopY7YSa9C3V>

This is the audio version:

https://www.podbean.com/player-v2/?i=xdwg8-18ee5f8-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

We have a real problem in the UK. Our interest rates are far too high.

You know that if you've got a mortgage.

You know that if you've got a credit card.

You know that if you've got a car loan, and if you're a business, you know that because your overdraft is costing too much.

The consequence is very clear, and it's very dangerous because what that is doing is

reducing incomes in the UK, which means that people don't have money to spend, so the economy is stagnating. And it means that businesses in the UK are paying too much interest, so they can't afford to invest in our economy, and as a consequence, we are not getting growth.

And that high interest rate is not by chance. It is the result of deliberate policy by the Bank of England, and they are backing that policy up with something which has a technical name, which is pretty hard to say to a video camera, which is 'Quantitative Tightening'. I think I got it right, but there are a mighty lot of Ts in there.

Quantitative tightening, or QT for short, is the process undertaken by the Bank of England, without any need, to sell off the bonds that it bought during the quantitative easing eras, which happened after the 2008 global financial crisis and during the COVID era.

Those bonds didn't need to be sold, but they are being sold back into financial markets by the Bank of England to keep interest rates high. The point is this. Quantitative tightening reduces the demand for government bonds by effectively oversupplying those bonds.

Hundreds of billions of pounds worth of government bonds have been sold by the Bank of England into financial markets, and not a single penny of that money has been used to fund anything that the government does, which does prove that bond sales and government expenditure are not in any way related. But by forcing the price of government bonds down by effectively oversupplying the market with bonds, it forces the effective interest rate on government borrowing up, and that affects the long-term borrowing rate of everybody else.

This hurts investment. It hurts jobs, and it hurts household finances.

This is a policy of deliberate austerity being undertaken by the Bank of England, which is not being announced by the government, but which is deeply regressive because it hits the lowest households who have most borrowings the most, and those households with the most borrowing are those with the lowest income and children most often.

What we are now seeing is a reaction from the City of London. Some financial managers are actually saying, "Stop this QT process."

They are saying that they don't want to buy any more bonds dumped on them by the Bank of England.

They're saying the market is saturated.

They are saying that the Bank of England is actually destabilising the market in government bonds.

They are saying that this political manoeuvre by the Bank isn't necessary, and they're saying the interest rate is too high because they can see the consequences for the real economy.

They can see that people do not have enough money to spend, as a result, and they can see that people aren't investing.

They can see that this is austerity by stealth, and the City of London doesn't like that because it, like you and me, does eventually want a degree of prosperity in everything that's going on because they make money from that, and they aren't from quantitative tightening.

So what does this mean?

First of all, it means that the era of central bank independence should come to an end. If central bank independence means that we have the Bank of England running a policy of austerity, which is positively harming the well being of people in this country by making political choices that are designed to harm those on lower incomes whilst benefiting those on higher incomes, it's era of independent policy management has to end.

Chancellors have to be accountable for what's happening in this economy, and they're not because of what is going on here. We have to have the government take responsibility.

We have to end quantitative tightening.

We have to cut interest rates.

These are preconditions of rebuilding the economy.

We cannot have the Bank of England wrecking what we need, and yet that's what it's doing.

And that has to end.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).