Published on *Adam Smith Institute* (http://www.adamsmith.org)

It?s official: the BoE?s money printing achieved almost nothing [1]

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By taking away from one side of the economy to stimulate another, Keynesian economics is smoke and mirrors at the best of times. But now it transpires that our own most recent example, Quantitative Easing, was more akin to a volcanic ash cloud and a one hundred mile-long mirage.

The BoE claimed that the £200 billion it printed in 2009 onwards, resulted in the yields on five and ten years gilts being 100 basis points lower than they would otherwise have been. It claimed that growth was boosted by between 1.5 and 2%. On the basis of this, it enthusiastically decided to print another £75 billion this October.

Not so, says the highly authoritative (and not personally interested) Bank for International Settlements in its latest quarterly report [3]. The real effect was about a quarter of what the BoE claims. Yields were on average 27 points lower.

The BIS also doesn?t agree with the BoE?s belief that new stimulus will have a similar effect. ?It may be harder to achieve the same degree of effectiveness as with the initial programmes once the surprise or novelty element wanes?, it states in its conclusion. This basically means that financial movers realise that the money printing results in inflation, and that they therefore add that future inflation into their behaviour.

Will Sir Mervyn now review the decision of the 6th of May to print another £75 billion?

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