

SIR MERVYN KING
FEARS BRITAIN IN
"WORST EVER" ECONOMIC CRISIS
[Bank of England Prints another £75bn]

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The Bank of England's governor has warned Britain could be in the grip of the "most serious financial crisis ever", as he defended £75bn being pumped into the economy.

[Picture Right - Sir Mervyn King, Governor of the Bank of England]

Sir Mervyn King said the global and UK economies had been turned on their heads in the past three months alone and said: "The world has changed."

The situation could be even worse than the Great Depression of the 1930s, he said, making it crucial do "the right thing" - which in the UK now means pumping more cash into the economy.



Sir Mervyn was speaking after the Bank's Monetary Policy Committee (MPC) voted to unleash a fresh round of quantitative easing (QE) [printing money] to stimulate economic growth, while holding interest rates.

The move, which means effectively printing an extra £75bn of cash, has prompted fresh fears that the UK is on the brink of another recession.

The decision marks the first time the Bank of England has extended QE since November 2009, and suggests the MPC is growing more pessimistic about the UK's economic prospects.

There are also fears it will lead to a surge in the already-high rate of inflation, which would erode savings and pension funds.

Sir Mervyn admitted that it was impossible to tell for sure whether the move, which is preceded by cash injections worth £200bn, would work.

In the wide-ranging interview, he conceded that inflation was likely to rise above 5% in the coming months - but that would be the peak, and it would then start falling "quite rapidly" next year.

He said it was impossible to rule out more cash injections in the future.

"We're creating money because there's not enough money in the economy," he said.

"That may seem unfamiliar to people... but that's because this is the most serious financial crisis at least since the 1930s, if not ever.

"We're having to deal with very unusual circumstances but react calmly to this and do the right thing."

He said that for many decades there had been "too much" money printed, which had led to inflation being pushed up.

"That has been the major challenge for most of the post-war period. Since the world financial crisis we are now facing the opposite crisis - there's not enough.

"It happened in the 1930s and it's happening now. The amount of money in our economy fell in the last year. That's why we're creating money... to ensure the economy can keep growing."

He said that while the difficulties facing the global economy did threaten the UK's banks and economic recovery, the problems needed to be tackled "collectively", adding: "We've done what we can in the UK."

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