Central Bankers: It Wasn’t Me

The recent *Financial Times* article Sweden’s central bank chief says negative rates ‘undramatic’ is worth a quick read. In it, Riksbank head honcho Stefan Ingves roles out a message similar to what we’ve heard from other central bankers all around the world.

To summarise, Ingves is saying:

1. Negative interest rates – currently minus 0.5% - have been ‘undramatic’. It hasn’t impacted banks or citizens unduly.
2. The Swedish economy is booming.
3. Bad loans aren’t a problem.
4. Some other idiots appear to be causing a housing bubble. Sweden’s property market is out of control.

Let’s move briefly past the flaws in point 2 (so why do you need negative interest rates?) and 3 (it’s hard to go bust when the cost of borrowing is so low and availability of credit so high) and onto ludicrous point 4.

I’m astounded by the inability of central bankers to see how crucial their own actions are in the formation of asset price bubbles and subsequent busts. I shouldn’t be, they’ve been at it for a few decades now. By now it must surely be feigned ignorance rather than complete stupidity?

I’ve read derivatives of this article dozens of times as each bust is met with a flood of liquidity to carry markets well into the next unsustainable boom. It brings to mind an awful song by Jamaican-American reggae-rapper Shaggy, It wasn’t me. Here are the reworded lyrics:

? But the US housing bubble?

It wasn't me!

All them European troubles?

It wasn't me!

Triple digit oil?

It wasn't me!

Overpriced agricultural soil?

It wasn't me!

Skyrocketing private debt levels?

It wasn't me!

The S&P damn near trebles?

It wasn't me!

Aussie house prices booming?

It wasn't me!

And the economy is zooming ?

[Record scratch] Yeah, yeah, that was us.