Funding the Future

Gambling with well-being

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The fact that two members of the Monetary Policy Committee thought it appropriate to vote for interest rate rises now in the UK is, to me, little short of astonishing. Their justification was noted by the Bank of England as follows:

"*These members noted that the continuing rapid fall in unemployment alongside survey evidence of tightening in the labour market created a prospect that wage growth would pick up. They noted that it was possible that wages were lagging behind developments in the labour market to some extent.*

"*If that were true, wages might not start to rise until spare capacity in the labour market were fully used up. Since monetary policy, too, could be expected to operate only with a lag, it was desirable to anticipate labour market pressures by raising Bank rate in advance of them.*"

So these members were willing to gamble the certainty of households going into insolvency, jobs being lost, recession returning and more to avoid a risk of inflation at a time when this is, in fact, declining.

One has to ask if there is an exercise in either insanity or sado-masochism going on here.

Thankfully these two members were outvoted this time. Don't expect it to last