

Of course the US Fed can increase interest rates. But o...

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The US Fed has overseen what has been, in effect, the biggest quantitative easing programme the world has ever seen. But that has now ended. And [it says US bond interest rates](#), which are still near enough zero for all practical purposes must rise. Not just by a bit, either. They are apparently forecasting 1.5% by the end of 2015, 2.75% by the end of 2016 and 3.75% by the end of 2017.

Now what the US Fed does is something that is its business and it will be entirely unaffected by anything I write here. There is little I can say or do today about which I can have more confidence than that. But this seems like recklessness in the extreme to me.

Cheap money has kept the US economy going when other economies - especially in Europe - have at best staggered along.

And when US business has refused to repatriate money to the US to invest in its economy and at the same time has invested more in tax inversions than it has in anything to benefit humankind it has been US government money that has filled the gap.

Now I wholly accept that the result has been too much support for banks. And the profile of US government spending is not what I would choose, by a very long way. But the reality is that low interest rates have worked, even if the policy could have been considerably improved.

The need now is to improve how the money is spent, and not to start upward pressure on interest rates by the Fed clearly thinks otherwise. Three things will surely follow.

First, that interest rate upward pressure will result in the same pressure in other markets so worldwide rates will rise.

Second, households in a great many economies the world over will tip over the brink and so default on debt on a massive scale.

Third, the banks will face another crisis that we are wholly unable to address this time round. And we can be sure that this time the impact will be firmly on shareholders first: that is the known plan for handling such an issue on Wall Street, That contagion will spread and with it pensions will collapse. All of which means that the investment community, and its customers, who are meant to be appeased by this policy have the most to fear from it. No wonder the FT says they are forecasting much lower rate rises.

The rate rises the financial markets are forecasting - [of 2% by the end of 2017 according to the FT](#) - may be too much for the market to bear without recession resulting. Those the Fed wants simply guarantee economic chaos.

I just have to hope 2015 isn't the year economic lunacy breaks out in central bank circles. But there's absolutely no guarantee it won't. And I admit I worry about that.