

Funding the Future

Those who say we will only have deflation for a few mon...

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George Osborne [has claimed 0% inflation in the UK is good news this morning](#) and that this wholly unintended circumstance is part of the Tory economic plan.

He is profoundly wrong. First, he never predicted or wanted this. Second, whilst it is true that if zero inflation lasts for a few months then it is true could create a short term consumer boom in this country that is not true after that time period.

As it continues people realise they will not be getting pay rises so they reduce spending.

And business decides not to invest as it will be cheaper next year.

And household debts go up in value as they are fixed in monetary terms.

And real interest rates increase too as they are always positive but the fixed obligation goes up in real terms as the value of money falls.

And suddenly we are in recession, for maybe decades.

The word is zero inflation and deflation will only last a few months so we need not worry. But [look at this graph](#):

If you can see sign of a flattening trend at the right hand end, or of imminent reversal with marked upward movements in rates imminent then I suspect you are a fantasist.

We are heading for serious deflation and that requires serious and rapid action to address it.

Starting with green quantitative easing and the delivery of the Green New Deal would be a good start.

But I am not hearing that message. And that's worrying.