

## Economic folly foretold

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I think this [report from the FT](#) this morning needs sharing:

*The International Monetary Fund has warned that emerging economies and bond markets need to prepare for an increase in corporate failures if and when the US Federal Reserve and other central banks in advanced economies begin [raising rates](#).*

I have no doubt at all that this is right.

The same warning could be given within the UK: there will be corporate failures here if interest rates rise.

And household failures too: mortgage repossession rates will probably increase significantly.

On top of which there will be less investment, and so lower growth and more unemployment.

This is the price of economists hankering after 'normal times'. For students of economic history the whole process of rate increases has a horrible feeling of FDR's policy in 1937 about it, which he had to very rapidly reverse in 1938. Or to put it another way, it feels like economic folly foretold.

Not that this will stop markets demanding what is quite obviously not in their own self interest. They seem to have a self-destruct button built in, and a never ending urge to push it. It would be better for us all if there was a way of correcting for that, but right now we let those running markets get too near the powers of the state that could achieve that goal. Which is precisely why those powers need reviewing.

One can always hope that next time it will be different.