

If markets need taming interest rate rises are the wron...

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The [FT carries an article this morning](#) under the title:

You are too complacent, central bankers warn markets

The summary is that the Fed thinks that shares are over-priced.

The ECB thinks that bonds are over-priced.

The Bank of England thinks that houses are over-priced.

Everyone thinks that there's too much lending.

And so, it argues that all of them are thinking of increasing interest rates but not for the obvious reason of inflation:

In a nutshell, central banks are not necessarily turning more hawkish, in defiance of their inflation stability mandates. Rather they are clearly signalling that investors are becoming far too complacent about the policy outlook – and that risks financial stability. This decoupling between economic and financial cycles is where crises are born.

The last sentence is absolutely right. I agree. In fact, it's glaringly obviously true, as is the risk that we face.

But that leave's the question of what is the answer? Is the answer to force many more into more debt, and to create insolvencies by increasing interest rates? Does that make sense? Or is the need to do something much more radical?

Isn't the real need to increase capital gains tax to reduce the yield on exuberance?

And to have a financial transactions tax to slow markets?

Shouldn't capital gains be charged on houses on death, at least?

And in places where favourable treatment is given to bond taxation shouldn't that be

withdrawn?

And what about an investment income surcharge to effectively charge national insurance on capital income to force a reduction in prices by reducing yield?

Reducing tax relief on pension contributions would also help by reducing flows into the market for the time being.

All these things and more are possible to reduce the pressure on markets. They would work. They would hit at the real issues. The amount of 'collateral damage' each would create would be minimal.

So why aren't they being proposed? Ask the central bankers. Their failure to suggest them is a measure of their irresponsibility. And that of the governments to which they are accountable.