

# Funding the Future

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Mark Carney [appears to want an interest rate rise](#). I think this is economic madness. I have a different policy proposal to make in its place. I believe that now is the time for the Bank of England to set out a case for an increase in the inflation target.

As the [Bank of England says of the inflation target](#):

*The inflation target of 2% is expressed in terms of an annual rate of inflation based on the Consumer Prices Index (CPI). The remit is not to achieve the lowest possible inflation rate. Inflation below the target of 2% is judged to be just as bad as inflation above the target. The inflation target is therefore symmetrical.*

But why it is 2%? It is harder to find justification for that. It 'just is'. And why is that so? Because, I suggest that sometime, somewhere, someone thought 'that's about enough'. And what does enough mean? It's the figure that does not debase wealth too much (which is terribly important around Threadneedle Street and some parts of SW1) whilst keeping the economy about of deflation, which most informed people think delivers recession pretty quickly.

The second half of their argument I have a lot of time for: deflation is a danger to be avoided at just about all costs, in my opinion. That a fall in the value of the currency might destroy real opportunity in the economy is unforgivable in my opinion, and it's right that the Bank should steer clear of it.

But what of the first half of the argument? I'm entirely opposed to the suggestion that significant inflation is good for an economy, although I do not recall things as being as bad as popular legend says it was in the 70s when inflation at rates we can now hardly comprehend did not create anything like the disruption claimed of it. But equally, I see no reason at all why we should keep inflation to 2% so that the owners of debt (and debt ownership is the basis of wealth) should have their asset values preserved, which is the only reason why I can see the current target is so low.

Would the world end if the target was 3%? Or 4%? Or even 5%? I'm not suggesting any more than that, and might only go for doubling to 4% to be honest. The obvious answer is it would not.

It's true that those owing money would have that written off faster by inflation. But that would diffuse the debt crisis. And it would reduce inequality. Both of those should be key economic targets for any government.

And that rate of inflation would allow for wage growth in proportion to asset prices - and most specifically house prices - which is vital.

Such a rate may also allow real wage rises - which has to be good.

Critically, this inflation target would also mean that interest rates need not rise - rate rises that will tip millions into unmanageable debt scenarios and which might precipitate a new banking crisis as a result.

I'm going to be blunt. The only reason I can see for an interest rate rise at present is to preserve the interests of those with wealth. And their interests have already been extraordinarily well served by our economy.

Increasing the inflation target would be in the interests of everyone else in the UK at present.

There is a real choice to be made on this, and right now the Bank of England is most definitely backing the wrong policy.