

Half a percentage point off interest rates has never ye...

Published: January 13, 2026, 9:43 am

The Fed has cut interest rates by 0.5%.

No doubt the Bank of England will do something similar sometime soon.

And both are pushing on pieces of string. There is not a hope that cutting interest rates will, right now, do anything more than encourage markets to fly to safety since they are clear indications of concern that can do nothing to change anything at all about the underlying economic problems that covid-19 will create.

The need right now is not for monetary policy, excepting indication that QE will be used if necessary. The need is for there to be very clear fiscal policy, and there is still no sign of that. The chance that we are, in that case, heading for a major shock with regard to government finances, which might only be capable of being addressed via QE, is very real, but so far, it seems, unacknowledged.

Covid-19 has a horrible course to run, but so too might the economy unless Treasuries realise very soon that they have to intervene a very big scale.