

Funding the Future

Article URL

Published: January 12, 2026, 7:19 pm

The Bank of England has announced a 0.5% cut in the official base rate in response to the coronavirus, taking that official rate to 0.25%, or nothing by near enough any other name.

I hate to say this, but the Bank is playing gesture politics, and at multiple levels come to that.

First, 0.5% is neither here nor there in terms of its ability to influence economic behaviour, and the Bank knows that. So this will have very little immediate impact.

Second, that's also true because, as I have been pointing out for what seems like an eternity now (but isn't), what matters now is not the cost of money, but the simple availability of cash flow to make repayment of borrowings as they fall Due - and there is nothing in this announcement that has anything to do with cash flow, meaning it is a hollow gesture.

Third, what this is really doing is grandstanding the Chancellor. What the Bank is saying is that they have done all they can by returning interest rates to their historic low, below which they probably do not want to go, and now all that can be done is down to him. Andrew Bailey has just cast himself in the role of Pontious Pilate and now has every intention of letting the Bank sit out the crisis to come, saying that there is nothing monetary policy can do about it. He's right, of course, but he will take the hit for doing so. If he does not realise it, this is the beginning of the end of Bank of England independence, and rightly so.

There is a fourth concern in this. The Bank has delivered an empty gesture. That's not what we need. We need action. I strongly suspect that we are not going to get it today. The scene has been set.