

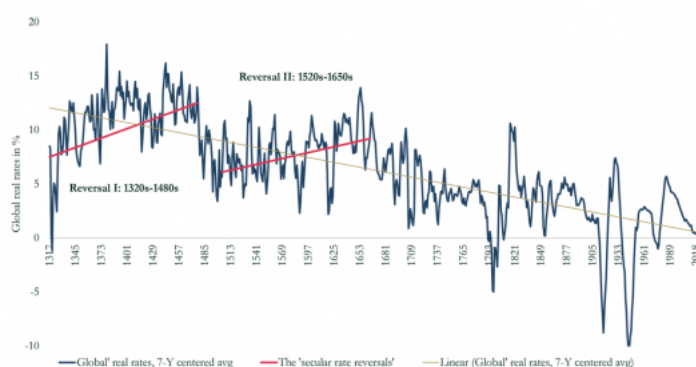
## How likely are interest rate rises?

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The debt fetishists, like former Chancellor Sajid Javid, who are demanding that the government keeps borrowing under what they term to be control do so because they claim that there is a very real chance that current interest rates will rise.

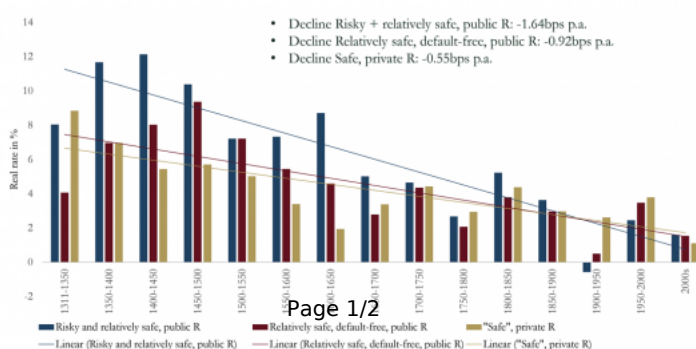
The Bank of England has [just published](#) a very interesting paper on this issue, looking at real interest rates in the world at large for the period from 1311 to 2018. Written by Paul Schmelzing of Yale University, this chart is, perhaps, the most interesting:

Chart 2: Public R-Reversals, advanced economies, ca.1320-1480s and ca.1520s-1650s



The background details are in the paper and I will not repeat them here. The critical point is that since about 1670 there appears to have been a continual overall downward trend in global real interest rates. As this chart shows, the trend holds true across a variety of types of debt:

Chart 4: R trends across three risk classes, advanced economies, 1311-2018



Of course, this does not mean that there could not be short-term interest rate rises as a result of deliberate government policy decision. But what it does show is that this would be against all market trends, and therefore is highly unlikely to be sustainable. In other words, if anything, interest rates can still go down with much greater probability than they can go up, and negative rates looking increasingly likely for the long-term.

I stress, I am not offering these charts as proof of anything, but when the debt fetishists claim that interest rates will rise the onus of proof is definitely on them now, because the evidence is very heavily weighted against them, and we must always remind them of that.