

Central bankers need to be put back in charge of the pa...

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The [Guardian has reported](#) that:

The world economy may be on the brink of a new inflationary era with persistently higher growth in consumer prices due to the retreat of globalisation, a leading central bank chief has said.

Agustín Carstens, head of the Basel-based Bank for International Settlements – which is known as the central bank of central banks – said there was a strong risk that prices would rise uncontrollably without a sharp rise in interest rates above existing plans.

Oh dear, another deluded central banker who thinks that the consequences of war, supply chain shortages, a pandemic and commercial exploitation of these scenarios that will drive hundreds of millions into poverty can be solved by a good solid dose of price increases, which is what interest rate rises actually are.

The last thing the world needs now are interest rate rises.

It does need interest rate cuts.

It needs tax cuts for the poorest and significant tax increases for the richest and the exploiters.

It needs QE to fund anti-poverty measures.

It needs peacemakers.

It needs government coordination to beat supply chain issues.

It needs aid for countries where food shortages are going to be worst. Start with Egypt.

But what it does not need is a fantasist who thinks independent central banks ever controlled inflation (which was under control by 1992, which was before this era of central banking began) and ever did so using interest rate rises, for which there is

simply no evidence.

Inflation is a consequence of real world phenomena, not monetary ones. It is solved by addressing real world issues, not by changing interest rates, most especially upward, which is inherently inflationary and penal in its mode of operation. When we have central bankers who understand that they will appreciate that they have little role to play in macroeconomic policy, where reality and fiscal policy must always prevail.

Central bankers might have a role in banking regulation and supplying loans to government. Beyond that I struggle to find a reason for their existence, most especially when they endanger people, as Agustín Carstens clearly does.