

## Today's decision by the Monetary Policy Committee

Published: January 14, 2026, 8:55 am

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*Danny Blanchflower and I sent this letter to the FT yesterday. It did not get in, so I will share it here instead:*

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Sir or Madam

The Bank of England Monetary Policy Committee meets tomorrow to decide the next change in the Bank of England base rate.

Inflation hawks will take the latest ONS inflation data and will use it to reinforce the demands for continuing rate rises. They will say inflation is not beaten and that no signal of concern about the banking system should be issued.

They are wrong. Inflation is already beaten: both the Bank and the Office for Budget Responsibility forecast that it might be negative in 2024. No further action is needed to achieve that: the way the index is calculated guarantees it.

And the banking system is at risk: Janet Yellen is now effectively extending deposit guarantees to all small US banks with good reason. Doing so means that the UK must follow suit. That, in turn, will mean that we will have to rethink the whole basis on which banking is undertaken precisely because risk and reward ratios have changed.

Recognising those two facts means that the Monetary Policy Committee should cut rates by at least 150 basis points tomorrow.

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