

As the world descends into chaos central bankers are sp...

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Unless you ignore all news outlets you will have been as aware as I am of the horror playing out in Gaza and Israel. Just watching the news has become hard on many occasions. The inhumanity of which people - on both sides in this conflict - are capable is hard to come to terms with.

Financial markets do seem unaware of all this. Despite the threat to stability that this conflict creates - which is being played out in arena far from the conflict zone as well as in it - markets seem to think that the big issue of the day is still whether interest rates should go up or not. This is, apparently, a finely balanced decision still. The fact that US 10 year bonds hit a 5 per cent yield for the first time since 2007 is apparent indication that rates do need to rise, for some at least.

Except that they do not, of course. The world is suffering the risk of turmoil which is bound to be recessionary.

All the signs are that climate change is getting worse faster than anyone really expected, requiring ever more urgent action on a grand scale, for which low rates are essential.

Meanwhile, the reality on the ground is that people are suffering. Talk is now of people living in destitution in the UK, and not just in poverty.

We face many crises. Without exception all of them are more important than inflation, by a very long way. All inflation at current rates does is slightly disrupt markets in the short term, and they are more than capable of adjusting to that fact if only wages and benefits are allowed to move in line with the value of money.

The need to refocus economics on the issues of consequence that we face has never been more pressing, but we set up the whole system of economic management of this country to make inflation the only issue of concern. That was the inevitable consequence of supposed Bank of England independence. Now we are paying the price, because as a result everything about our economic policy misses the point of what is

really going on in the world.

Cutting interest rates is vital now.

But so too is abandoning the crass stupidity of central bank independence, which always presupposed that there was an actual difference between economic and monetary policy (when there is not, because they are the flip side of each other) and that only inflation mattered.

The only problem is that, as on so much else, Labour is backing the wrong policy here. Rachel Reeves is not going to shaft her old bosses at the Bank. But she should if she wants Labour to make a difference.