

Funding the Future

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I have published this video this morning. In it I argue that the Bank of England is signalling we're going to have high interest rates for a long time because it thinks we are still at risk of suffering inflation. But that's absurd. The Bank of England is now the biggest creator of inflationary pressure in our economy.

<https://www.youtube.com/watch?v=alwetEM4hCU>

The audio version of this video is here:

https://www.podbean.com/player-v2/?i=pjy6t-1688a8b-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=956f46&font-color=auto&logo_link=episode_page&btn-skin=ff6d00

The transcript is:

The Bank of England says it's still worried about the rate of inflation in the UK economy, and no doubt it will be fretting enormously over the fact that Rachel Reeves has now given pay rises to several million people working in the NHS and education. But the truth is, the biggest fueler of inflation in the UK right now is The Bank of England.

Why is that? Well, it's because the Bank of England is keeping interest rates very high. They are at present 5.25 per cent and we're not expecting them to change over the rest of this year to any great extent - many are suggesting a cut of 0.5 per cent in the rest of this year. So, the Bank of England is going to keep interest rates at way above the rate of inflation, and that is having a massive impact on the economy.

Why? Well, many prices are heavily influenced by that interest rate. Rents are, for example. We know that rents are running at inflation rates of more than 7 per cent on average in the UK at present, and higher in some places. And that is enough to fuel

inflation.

Of course, the Bank of England is also keeping mortgage rates higher. And every month, more and more people are being forced onto new, higher rate mortgage deals. And that is increasing the pressure on wage increases because people can't make ends meet. So of course they want a wage rise as a consequence. Therefore, the Bank of England is also fueling that.

And it's fueling other increases as well. For example, the price of cars on leases goes up when interest rates are high. The price of many other products is related to the interest rate implicit within them. If you pay for something on some form of rental agreement or on a deferred interest payment, or you simply have a high loan balance and that is remaining at a very high level, you're going to be pushing for a wage rise to cover those costs as well.

The simple fact is that if we had lower interest rates, we would have a reduced pressure on wages in the UK.

We'd have a smaller cost of living crisis.

We would have lower rates of inflation.

But the Bank of England is insisting that it has to keep interest rates high.

I can only say that it's doing that because it wants to fuel the increase in the wealth of those who are holding bank balances, because I can't find any other explanation for it. It most certainly is not controlling inflation by its actions. In fact, it's doing the exact opposite.

So why are we letting it get away with this?

And why is Rachel Reeves letting them get away with this when she could interfere? I genuinely don't know.

We have a Bank that has been given a mandate of reducing inflation to 2 per cent and inflation is at 2 per cent and yet it is insisting on inflicting further pain on our economy which will reduce economic activity in direct contrast to what our Chancellor of the Exchequer, wants and it is creating pressure on pay rises which is what it says it does not want.

The consequence is that it will eventually force unemployment up. That seems to be what the Bank of England wants, as if recession is its goal. That's a very weird economic policy. But, everything says that that's what it wants.

Are they really that masochistic that they want to punish us for what happened in the last couple of years, none of which was our fault because all the causes of inflation

were external to the UK?

It seems so, and in which case, I've got one thing to say. The Bank of England's independence has to go because these people can't be trusted.