

# Trump is right on interest rates, for all the wrong rea...

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Right around the world, economies face the risk of recession due to Trump's irresponsibility. We need interest rate cuts because of him, not because he wants them.

<https://www.youtube.com/watch?v=jsEEoy-LsXI?si=3bARMvKnSwOs5MPW>

This is the audio version:

[https://www.podbean.com/player-v2/?i=2t6ae-18812ea-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=2t6ae-18812ea-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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Trump is right. Those are words I never expected to say, but let me add a caveat. Trump is right that we need an interest rate cut in the world's economies, and he's wrong as to his reasoning as to why we need it.

Let me stand back a bit.

Trump is clearly crashing the world's economies. The fact that we are at the moment on a little pause with regard to his tariff war is neither here nor there.

It's perfectly obvious that his abuse in the USA is going on: his assault on universities, his assault on human rights, his assault on the whole process of government, his

assault on the US government and its activities, everything is continuing, and we do know that there are still going to be tariffs at a rate that are unprecedented on most of the countries of the world, and higher rates still on China, but also remember on all cars, and that has a big impact on somewhere like the UK.

So, Trump's assault on normality is ongoing. There is no change and there is nothing that we can rely upon when it comes to Trump because it's highly likely that when he gets to the end of his 90 day moratorium on tariffs, if the world has not queued up and kissed his ass, as he so nicely puts it, then those tariff rates are likely to go up again.

So, we face the prospect of serious economic downturn.

That is inevitable in the States, and I've already explained why in other videos. But around the world we tend to follow what the States does, and if they move into recession, and they impose tariffs on the world's trade, and they create disrupted supply chains and disorganization with regard to the overseas markets of many countries who will then have production that has not got a market to deliver it to, there will be complete confusion amongst the world's businesses and when that happens, they stop investing, people stop spending and recession follows. So, although Trump is right that we need an interest rate cut because he thinks that will make America great again, I think we need interest rate cuts to avoid the consequences of Trump making America very small again.

because that is the inevitable outcome of what he's doing.

How much of a cut do I think we need? I've long held the view that there should be no net positive interest rates set by the government within an economy. In other words, the central bank interest rate should be, near enough, the same as the inflation rate within an economy.

If it's anything else, there is a redistribution of wealth. My bias is towards redistribution of wealth towards those who are on lower incomes and with lower wealth. The government's bias at present and very clearly the bias of the Bank of England inside the UK, and also the bias of other central bankers, is towards having interest rates which are above the rate of inflation, which means that there will be an upward redistribution of wealth within many economies from those who are borrowers - who by definition tend to be those with the lowest incomes and wealth - to those who have the highest income and wealth, who therefore have sums on deposit. It's really not rocket science to work that out, and this is what I want reversed. I want there to be an interest rate that is at least net zero at present.

In other words, in the UK, the interest rate should be in all likelihood a little bit below 3%, and if we are really trying to save the economy from recession, it should be lower still.

Why does this matter? Because people who pay less interest have more to spend on other things and, therefore, we will not see the depth of recession that we might otherwise face.

If the Bank of England reacted to recession, as they might well do by saying they must increase the interest rate because that recession might well be accompanied by inflation because Trump is going to export that from the USA, then we could be in an even worse situation, because a rising interest rate at this moment would deepen a recession and probably turn it into a depression, and we haven't really had one of those since the 1930s, whereas if we have a cut in interest rates at this moment, we could mitigate the risks of the recession that is, I think, almost invariably coming our way. The world cannot go through a shock of the sort that Trump has imposed upon it and not suffer a recession because of the disorganisation and disruption that he has created.

So if we really want to ensure that we mitigate the risk of recession to the greatest possible degree in the UK, we cut rates now to the inflation rate.

If we want to actually go a little bit further to ensure that people are protected from the harm that recession will cause, we go below the inflation rate. Two per cent or less would be desirable because that would redistribute wealth into the hands of those who have least - the borrowers of the world, the parents who are young with big mortgages and children to provide for, for example, or those in rented accommodation who are under stress because rents tend to move in line with interest rates.

And what we must also do is guarantee that these new interest rates, if they were to come into place, could flow through as soon as possible for the benefit of those people who are the biggest borrowers in proportion to their income, who are, of course, those with mortgages.

Right now, it is normal inside the UK for people to borrow on long-term rates, but if we cut the interest rate and then leave people on a five year mortgage, paying four and a half, five, six per cent, whatever it might be, because they've fixed some time ago - then of course we're not going to see any benefit from the rate cut. Only the banks will get that, and that is not the goal of this policy.

The goal of this policy is to put money in people's pockets, and therefore the government would have to put into place emergency legislation that would say anybody on a fixed rate mortgage should be able to buy themselves out of that fixed rate mortgage and get a lower rate mortgage with any penalties being added onto the mortgage and spread over the remaining cost of the balance, in other words, over the rest of the mortgage's life.

That would be fair.

It would be just.

It would be equitable.

It would prevent recession to some degree.

It would protect the most vulnerable.

It would redistribute wealth downwards.

It would protect the financial stability of the UK.

It would deliver the prospect of growth because businesses who can borrow at lower rates might overcome their fear that recession would otherwise create with regard to actually undertaking investment at this point of time.

We need an interest rate cut.

Andrew Bailey, take note. You cannot talk any longer about sustaining interest rates because of the risk of inflation.

The risk of recession is so much greater that that must be your priority, whether you like it or not.

Come on. Do the right thing. Get those rates tumbling and start them falling now, because we can't wait until recession arrives for this to happen. That's too late.

The job of a good economic regulator is to anticipate problems, and that means interest rate cuts are needed now.