

Funding the Future

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I have long argued for the need for interest rate cuts.

Let me be candid: I think there is no justification for base interest rates to be above the rate of inflation. If they are, there is a deliberate exercise in the upward redistribution of wealth going on in a society, and no state can afford that in a world of the type we live in, where the wealthy already have far too much economic power.

However, as with everything else, interest rates need to be reviewed right now in the light of what Trump is doing, and the resulting threat of recession and even depression hangs over us.

It is known that Trump wants lower interest rates.

For once, I have to agree with him, but not with his reasoning.

Governments around the world now need to realise the threat that we face and address it as soon as possible, and not wait until a downturn happens. The threat to economies that Trump has created through his trade war requires that central banks, or the governments that control them, now cut interest rates very significantly, and as soon as possible.

They should then take measures to ensure that the advantages of this flow through into the economy, including by allowing the renegotiation of fixed-term mortgages in the UK to ensure that those in most need get the benefit of these cuts with minimal penalties.

Unless this happens, the recession coming our way is going to be very much worse than it need be. But will Reeves have the courage to act? There is no sign of it as yet.

We need interest rates of no more than two per cent now, and they may need to go lower. Anything more, and the government will be deliberately crashing the economy very soon.