

Why are interest rates so high?

Published: January 12, 2026, 8:35 pm

Interest rates in the UK and the USA are way too high, as a comparison with the Eurozone proves. That's because of their incompetent economic leaders.

<https://www.youtube.com/watch?v=8xnNbA1DOI8?si=B1LfaeUtSYovx8Fk>

This is the audio version:

https://www.podbean.com/player-v2/?i=6rps8-18c0c9e-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Why are worldwide interest rates still so high, and why are they staying right up there, particularly in the UK and the USA, compared to, for example, the Euro?

That's a question that matters because you probably pay interest, and all of us do in some way or other, because the price of interest is implicit in the charge that we have to pay for so many of the goods and services that we buy.

So why is it that these rates are still so high? Let's just look at some data.

This chart is from the Financial Times, and it shows the data for UK 10-year government bonds.

UK 10 year Gilt		
UK10YG		
YIELD	TODAY'S CHANGE	1 YEAR CHANGE
4.67	▲ 0.004 / 0.09%	▲ +9.29%
<small>Data delayed at least 15 minutes, as of May 27 2025 18:00 BST.</small>		

Now, the interest rate that is shown is the amount that you can actually earn at this moment based upon the price that you would pay today for the bond in question. So the fixed rate of interest on that bond is adapted in this chart to show the actual rate of interest you earn based upon the current price of the bond, which is not the one at which it was originally issued. I will make another video on bonds very soon to explain all that, but trust me, that's right, and what it's showing is that the current rate of interest in the UK at the time of making this video was 4.67% on the 10 year government bond, which is the benchmark for the price of UK government debt.

And look at the figures for 2025. It is, near enough, a flat line at around that rate.

Look at the figures before then, and in 2024, it was lower.

It was a little bit higher in 2023.

And of course, if we go back over the five-year period that this chart covers, we go right back to the point where the effect of interest rate was near enough nothing during the course of the COVID period, but it wasn't much higher for the decade before that either.

Now let's look at the same chart, only this time it's for US government 10-year bonds, and it looks pretty similar.



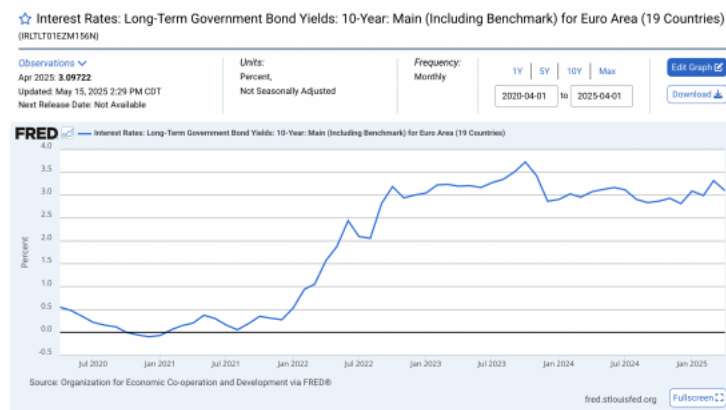
You'll see the same inflexion point. The rate started to rise in January 2022, when everybody began to panic about the rates of inflation that began to rise at that time, after COVID, and because of the war in Ukraine.

And what you will also see is that this year, 2025, the rates are high. Actually, not quite as high in relative terms as in the UK, but very nearly as high. And the current yield on

those 10-year bonds is 4.47%. That's the money that you can make at present by buying a 10-year government bond at current prices.

And what that implies is that we're still paying high rates. And note, Trump has not pulled these rates down on average this year. The rate is higher than it was in 2024 under Biden.

But then compare that with the data for the Eurozone.



And this chart comes from the St. Louis Fed, which is one of the central reserve banks of the USA and is a source of amazing quality economic data if ever you're looking for some information, and this shows the aggregate rate paid on 10 year bonds in the Eurozone, the 19 countries that issued the Euro as their currency. And what you'll see is the same inflection point when rates started to rise in January 2022, as if all the central banks acted in cooperation with each other, which, of course, they did completely against the interests and policies of market economics, and then you'll notice something else, very strange indeed. That is that in practice, the rates are very much lower than for the UK and for the USA. In fact, the current rate is 3.1%. Now it will vary slightly. In Greece it's nearly 4%, and in Germany it will be lower, but overall, the aggregate rate that you can get on a bundle of these bonds if you were to buy them in a weighted proportion to the value of bonds in issue from each of the countries in the Eurozone, would be 3.1%.

You'll also notice there has not been a dramatic change in rates this year compared to rates in 2024. In fact, rates are lower now than in 2023. There hasn't been a major Trump effect of lifting rates.

So, what is it about the UK and the USA and our interest rates that means that we have to pay up to 1.5% more than people in the Eurozone do to borrow money? What is that fact that explains the difference? I'm going to suggest to you there are two reasons.

One is with regard to the USA, and it's being called, and it's not a nice term, but nonetheless, it's now in common use in financial markets, so I'm going to use it; it's

called the moron effect. And what the moron effect refers to is the fact that there is a man in charge of the US economy who is absolutely out of control, has no idea what he's doing, and as a consequence is increasing the risk for people who wish to deposit funds in the USA to a point where excess interest rates have to be paid as a consequence.

Now, do they really have to be paid as a consequence? I think that's a good question, because as we all know, the US provides the world's reserve currency and, like it or not, people will have to deposit money in the USA, and therefore whether the rates really have to be as high as is shown here, or not, is hard to tell.

The US Federal Reserve is suggesting that high interest rates in the USA need to be maintained for the time being, precisely because of the Trump effect. Jay Powell, who's in charge of the Fed, and who is at loggerheads in his disputes with Trump, is maintaining the fact that the Fed must keep rates high because of the risks within the US economy created by Trump. Trump, of course, is demanding that rates be cut, but the fact is that the markets are ignoring Trump, and that is apparent from that chart of US interest rates. If anything, they've been rising again of late, and that's because people don't trust Trump. The USA is paying a very heavy price for having a man in charge of its economy who has no idea what he's doing.

But in that case, why is the UK paying even more? Why are we actually paying very high rates of interest when we haven't got somebody like Trump in charge of the UK economy?

Okay, we have got Keir Starmer, and the man is utterly clueless about economics.

And we have got Rachel Reeves, who frankly has no apparent understanding of what macroeconomics is all about, despite having got part of a degree in the subject from Oxford University.

But what we have got is a government that is, first of all, willing to bow down and worship Trump, and so we're getting the spillover effect of that.

And secondly, we have a Governor of the Bank of England, and a Monetary Policy Committee at the Bank of England, both of whom are absolutely dedicated to maintaining high interest rates to supposedly crush inflation when domestically created inflation in the UK is frankly under control and much lower, and I stress the point, much lower, than the rate of interest that is now being paid on 10 year government bonds.

The inflation rate varies at a little over 3% at present, and we all know that the Bank of England expects it to fall to around 2% well within the 10-year time horizon of the value of the bonds that we are looking at here. So, in that case, there is almost no justification for having an interest rate that is maybe 2.5% more than the long-term expected interest rate that will be paid by the government on its bonds, and therefore,

the yield is just simply too high.

So why have we got such an excess interest charge, and the answer is, we also have people in charge of our economy who are absolutely clueless as to how to manage it.

We don't use the same terminology as has been used about Trump, but frankly, if you add up Keir Starmer, Rachel Reeves and Andrew Bailey, the Governor of the Bank of England, you have a triumvirate of people who are absolutely out of their depth who managing the UK economy, and might as well be described as Trump is, because between them, they are only there in charge of the economy, it would appear, to cause damage to us all, and that they most certainly are doing.

Look at Europe and the same trend isn't seen. Europe is running an economy that is trying to meet the needs of the people of Europe.

The UK is not.

The USA is not, and those are the big differences.

The UK and the USA are subject to massive increases in interest rate margins because financial markets don't trust the idiots in charge, and in the Eurozone they do.

And we left Europe. Think about it. If we were aligned now, you would be paying a lot less on your mortgage, on your car loan, or maybe even on your credit card loan. All of those things are influenced by these rates. We are paying a high price for having people in charge who have no idea what they're doing.