

# Funding the Future

Article URL

Published: January 12, 2026, 5:22 pm

---

As Andrew Bailey of the Bank of England noted yesterday when giving evidence in the House of Commons, interest rates are rising around the world right now, and not just in the UK.

The question is, why is that?

I recently suggested that this was in part because of the excessive valuations of stock markets, towards which money has been flowing, deflating government bond prices.

Now, let me offer another suggestion. This is that markets are signalling that they will not trust a US central bank that might be run for the personal and political benefit of one man. And, because they can see that is now on the cards, they are already demanding a higher risk premium to lend to the US government, businesses, and individuals. And, since US debt markets set the pace for the world, rates elsewhere are rising as well, as the UK is now seeing.

Let me unpack the consequences.

First, Trump's attack on the Fed is already having an effect. Bond markets look forward, not back. If they think the Fed might be compromised, they act now by pushing up the cost of borrowing on longer-term bonds. That is exactly what we are seeing.

Second, this means that the rise in global interest rates is not primarily driven by domestic economic conditions in the UK, or in Europe, or in Japan. Instead, it is being driven by political risk created by Trump in the United States. UK rates are up because of Trump, not because of anything Rachel Reeves or the Bank of England might have done.

Third, this has important implications. Those blaming UK interest rate rises on "reckless" government spending, or on supposed "bond vigilantes" punishing fiscal loosening, are simply wrong. The cost of money is being set by fears about American politics, not British fiscal policy.

Fourth, this matters for democracy. Trump wants to control interest rates not for the public good, but to extend his own bargaining power over corporations, banks, and

even nations. That risk premium in global markets is a reflection of a simple truth: the more power Trump grabs, the more unstable the world becomes.

So what should we conclude?

- \* Interest rates in the UK are not, right now, a reflection of what our government is doing. They are a reflection of what Trump is doing.
- \* The argument that we must cut public spending or avoid investing in public services because of “market discipline” makes no sense. The so-called discipline is being imposed because of Trump’s threat to financial stability, not because of anything in the UK economy.
- \* This makes it all the more absurd for Labour to box itself in with fiscal rules that depend on bond market reactions. When the markets are being driven by Trump’s extortionate politics, those rules amount to nothing more than voluntary economic self-harm.

The lesson is obvious. The UK cannot allow its economic policy to be dictated by either the whims of the bond markets or the antics of Donald Trump. We need to reclaim the right to invest for the public good, to use the capacity of our own central bank, and to reject the false narrative that “there is no money.”

If we fail to do that, then Trump will not only succeed in destabilising the United States. He will succeed in destabilising us too — and only because we let him.

---

## Comments

When commenting, please take note of this blog’s comment policy, [which is available here](#). **Contravening this policy will result in comments being deleted before or after initial publication at the editor’s sole discretion and without explanation being required or offered.**