

One war ends; another begins

Published: June 16, 2026, 6:40 am

We are told that the war in the Gulf is over. I don't believe that. Yesterday's poll on this issue here suggested that you don't believe that. But what I do know is that another war is starting.

This is the war by the world's Central Banks on the world economy. I noted that the European Central Bank started this process by raising its base rate last week, and now the Japanese central bank is heading in the same direction, [as the FT notes this morning](#):



As that article makes clear, not only is the rate rising, but the Japanese central bank is planning to end its quantitative easing programme, which has delivered government debt-to-GDP ratios well over 200% in that country, without any apparent harm to the economy arising.

Why would it want to do that? There are three reasons..

First, it wants to support rising interest rates at cost to the people of Japan.

Second, it wishes to withdraw liquidity from the Japanese economy, at cost to the people of Japan.

Third, it must want to shrink the Japanese economy.

Those will be the consequences of the Japanese government's actions, and I am going to presume that it is rational, and knows what it is doing, and therefore desires these outcomes.

Why, in a world of massive uncertainty, it would wish to do this is hard to work out, but what we do know is that Japan now has a government that models itself on Margaret Thatcher, whose primary goal during her period in government was to increase inequality in the UK. I think we can safely assume that is the object of the Japanese government, and if it is, that they are going the right way about it.

In other words, this is a government that has set out to be at war with its own people.

Unfortunately, I am expecting others to follow.