Funding the Future

The Bank of England is making people poorer on purpose

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The Bank of England needs to cut interest rates, and it needs to start doing so now.

In November 2026, the Bank increased its base rate from 3.75% to 4%, responding to inflationary pressures it says were caused by rising energy prices and the war in the Middle East.

But the economic circumstances are changing. Oil prices have begun falling, and there are indications that global energy supplies may be improving.

That raises a fundamental question. Why should the Bank continue imposing higher borrowing costs on households and businesses when the inflationary shock that supposedly justified its decision may already be fading, and fast?

Higher interest rates cannot increase oil production or repair disrupted supply chains.

They can, however, suppress wages, reduce spending, discourage investment, increase unemployment and make existing economic problems worse.

They also redistribute income towards some owners of financial wealth.

In this video, I explain why the Bank’s current approach is misguided and why the consequences could be particularly damaging during 2027.

I also consider the alternatives available to the government, including energy market reform, windfall taxation, targeted support and investment in renewable energy.

The next Bank of England interest rate decision is scheduled for 17 December. I believe that meeting should mark the beginning of a sustained reduction in interest rates. The Bank must respond to economic reality rather than continue imposing unnecessary hardship. And if it doesn't, we have to assume it really has got it in for all the ordinary people of this country.

https://www.youtube.com/watch?v=72LoC8I_3xc?si=WJUe1RoYH2DW1O99

This is the audio version:

https://www.podbean.com/player-v2/?i=54jhj-1bbfb34-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:

The Bank of England raised interest rates within the last month, and everyone is expecting them to do so again in December.

We know they raised rates because they said there’s a risk of inflation, and they said it was caused by the war in the Middle East.

We know that the war in the Middle East has created oil and gas shortages. But we also know that higher interest rates cannot produce oil, nor can they end a war, and they cannot repair disrupted supply chains.

But there’s something else to take into account as well. The oil price is falling at present. It’s going down. It was around $110 a barrel. It’s now less than $90 a barrel. Now, the gas price hasn’t fallen as much as yet, but we do have reason to believe that it might fall as well.

So will the Bank of England now reduce interest rates because they can see that this is happening?

Will they be as keen to bring rates down to prevent risk to the economy as they were to increase rates to impose hardship on people?

That’s the issue I’m discussing in this video. I believe it’s time for a cut. I don’t think the Bank of England are going to deliver it. We’re heading for stress as a result.

So what has the Bank of England done? On 5 November, the Bank increased its interest rate from 3.75% to 4%. The Monetary Policy Committee that decides on these things voted eight to one for the increase. And the Bank forecast inflation of around 4.5% in early 2027 against its target of 2%, although no one actually knows why that target was

set or why it’s the right figure.

But the reason given for the increase in rate was the rising energy price caused by the war in the Middle East. The Bank then argued that higher rates would prevent this inflation from spreading into wages and other prices in the UK economy, ensuring, in the process, that people cannot maintain their standards of living. That is what they are trying to achieve.

They are trying to make sure that although people’s costs of living have risen, their wages won’t rise as a result. They’re trying to make sure that most people in the UK are worse off as a consequence of increasing interest rates. That is the aim of their policy.

But the oil price was already falling by the time they took this decision. In fact, the price of Brent crude oil fell below $90 a barrel on 10 November. And we now have forecasts from the International Energy Agency suggesting there may be an oversupply of 1.7 million barrels of oil a day in the fourth quarter of 2026 because the world has worked out how to get around the fact that the Strait of Hormuz is still largely closed. Now, I don’t know whether they’re right or not, but they know more about this issue than I do, so I’m going to believe them. But despite that fact, oil was still around 50% more expensive than it was at the beginning of this war, which started, unbelievably, only in February 2026.

However, the key point is that the direction of price changes has itself changed. Instead of going upwards at the present point in time, it looks as though the direction is downwards.

Now it’s a fact that energy markets can change rapidly whilst interest rate policy takes months and very often years to work. But this fact in itself imposes a particular obligation on the Bank of England. It cannot react to short-term events. It must react to long-term ones. And if the long-term trend in energy prices is downward, it has a duty to cut interest rates to reflect that fact.

The chance of inflation is going away. It does not need high interest rates to achieve that outcome. Other factors will deliver that outcome for the Bank of England. They will get the reducing inflation rate they want through no action of their own.

So, for the Bank to now impose economic pain after the original price shock which had forced rates up has disappeared is completely ludicrous, wrong, unethical, irresponsible and any other words you wish to use to describe behaviour which is contrary to any rational expectation.

And the fact is that interest rates cannot produce more oil. The inflationary shock we’ve had this year came from restricted energy supplies created by war. It did not come from excessive British wages, nor did it come from excessive British consumer spending, and the Bank knows this. In fact, British wages are flatlining, and consumer

spending is in the doldrums because people lack confidence.

There is therefore no internal economic reason within the UK to increase interest rates at this moment. The only reason for rates to rise is because of oil prices, but oil prices are falling. And that means it's completely unnecessary now for the Bank of England to be forcing people's spending power down because, in fact, they don't need to do that to achieve the reduction in inflation they desire. We're already seeing that possibility being created at the petrol and diesel pumps. Petrol is down at least 15p a litre. Diesel has begun to fall very slightly. We are seeing inflation declining in front of our eyes. The Bank does not need to contain inflation by suppressing demand.

But it's doing so with the intention of making people poorer to prevent a supply shock from becoming persistent inflation. In other words, they're doing so to keep wages down so that people cannot make good what they have lost during the course of 2026 as a consequence of Donald Trump's war. That is precisely what the Bank of England is trying to do. It doesn't say it, but that is what the outcome is.

And let's be clear: what do higher interest rates actually achieve? They increase borrowing costs for households and businesses. They tend to force up rents. They reduce spending, investment, and employment. They weaken workers' bargaining power by increasing the number of people who are unemployed. They increase interest income for some savers, banks, and financial institutions, and they increase government interest payments on central bank reserves, and that means there is pressure on the government to reduce its spending on things that everybody needs.

None of these things are unintended consequences. They are exactly what the Bank of England desires. They want to achieve these outcomes. But all of this is income and wealth redistribution by the Bank of England. Let's be clear: this is policy, and it's redistributing wealth upwards in the UK and making working people worse off.

Every pound of interest paid is received by someone, after all. Borrowers pay more. Some savers and financial institutions receive more. And banks receive higher interest on reserves held at the Bank of England. And those who own government bonds also see their interest rates rise. As a result, the government faces increased interest costs on those reserves and some newly issued debt, and these decisions always redistribute income between different groups in society.

If the Treasury had made equivalent proposals to, for example, use taxation and spending to achieve redistribution of income against the interests of most people to increase the well-being of the wealthy, there would be intense political outcry. But because these activities are treated as technical necessities when the Bank of England does them, nobody raises a murmur, and that is what I'm objecting to.

We should be objecting to these deliberate political actions by the Bank of England disguised as monetary policy because they are as repugnant as they would be if they

were put in place by the government. These changes in interest rates to punish the people of the UK are straightforwardly wrong and are designed to make the rich richer and everyone else poorer.

And the fact is that the government has better tools available to achieve the outcome of controlling inflation. In the immediate short term, it could, for example, tax windfall profits from energy scarcity. Oil companies, we know, are making record profits at present. It could protect households from exceptional energy price increases by changing fuel pricing arrangements. That is entirely within its power. And it could provide targeted support for those most affected. Again, this is possible. And it could use fiscal policy to manage inflation without unnecessarily damaging employment and investment. In other words, it could change the VAT rate. This again is within its reach.

All of this could be done. And in the longer term, it could have other further very significant impacts, all of which would be beneficial. It could invest more in renewable energy and energy efficiency, making every building in the UK into a power station and reducing energy consumption as a consequence, which is key to achieving our net zero targets.

It could also reduce dependence on imports of fossil fuels as a result and build a more resilient energy generation and distribution system with the funds released. That is essential because it is our energy distribution system that is holding back so much economic development and transition to sustainability within the UK economy.

In other words, the government can address the causes and consequences of an energy shock without any assistance from the Bank of England, when the Bank of England cannot, in any case, have any impact at all on any of these essential changes.

So let’s face facts. Interest rates don’t cure imported inflation. All they can do is decide who pays for it. Higher interest rates cannot end a war. They cannot produce oil. They cannot repair disrupted supply chains. They cannot improve resilience within the economy, but they can make households poorer. And at the same time, they can weaken businesses and increase unemployment. And they can increase the income of some owners of financial wealth, resulting in increased inequality in the UK economy.

And all of that means that the Bank of England cannot cure imported inflation at its source, but it can and does decide at present who bears the economic pain. But that is a political choice, and it is not merely a technical one. And if oil prices keep falling, and it seems that they are at present, the Bank needs to reverse its decision to increase rates in early November. It needs to be cutting rates now as quickly as possible, because if oil and other energy prices are falling, it has no reason to impose interest rate rises now, which will have long-term consequences when inflation is fading away, as it always and invariably does in situations like this.

The next decision to be made by the Bank of England is on 17 December. It has the

opportunity to cut rather than increase rates then. It should begin a process of cutting on that day, and that process should be rapid and see rates fall heavily during 2027 to manage the consequences of falling energy prices and the consequences of an AI bubble burst, which is going to be hitting us at the same time.

The Bank of England has to open its eyes to economic reality. It has to do what the economy needs. And if the government won't act using fiscal policy and the measures that I've already described, the Bank of England has to step into the shoes of being the responsible partner in this relationship, and that means it must cut rates.

That's what I think. You may think something entirely different. There's a poll down below. Please do leave us your comments. Please do like this video. Please do share it. And please subscribe to the channel and hit that bell button. And if you would like to support our work, there's a link up there to something called Ko-fi, which is our donations page. And there's another one down below. Thank you very much.

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