

Why central Banks are criminals in their Interest rate policies and Governments are complicit.



Recent announcements:

“ECB resists rate cut bets with pledge to stay tight.

- ***ECB holds rates at record highs.***
- ***Cuts 2024 inflation, GDP forecasts***
- ***No lowering of the guard, vows Lagarde”***

“Bank of England could be about to open the door to interest rate cuts.”

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“Fed holds interest rates steady and signals an easing of rates.....”

1 Feb 2024 — “The central bank has tried to play down expectations for aggressive rate cuts, with its latest messaging pushing back against money market.”

The simple truth about interest rates is that **high rates do not control inflation.**

Proof of this is in the current time we have inflation at 4% in the UK, 2.8% in the EU and USA 3.1 % (in January 24).

We have had UK inflation at 11.1% in the UK at October 2022 (41 year high), 8.3% in USA, 9.2% in the EU, the first question is what has caused this inflation;

Answer 1) The huge borrowing due to the Pandemic and lockdown & 2) The Energy Crises due to the Ukraine war and Germany's reliant on Russian Oil and Gas.

And, most importantly, what has caused the dramatic drop in Inflation to levels above in just over 16 months??

Answer: The above two factors, Pandemic and Energy Crises have now dropped out of the figures (they are not recurring just one off's).

Thus, high interest rates have had nothing to do with the Control of inflation, at least in this our current economic circumstance, although Central Bankers & Governments (that would like to take credit for the High interest rate policy, e.g. Sunak , "I have halved inflation" ??) would have you believe otherwise, this is what I like to call **the Con!**

So, what do High interest rates do and why do bankers love them?

- 1) First, of course, they put up the price of mortgages, bankrupting many existing mortgage holders, making others homeless.
- 2) They increase the price of rents as demand increases for rental properties because purchasing becomes too expensive.
- 3) House prices reduce as demand drops, so less people sell, starving the market of properties for sale.
- 4) All the above puts more pressure on availability for all lower levels of housing.
- 5) All forms of credit become more expensive, hitting the poorest hardest.
- 6) High interest rates squeeze the economy, money is in short supply, people buy less resulting in a recession at best, Slump at worse.
- 7) The cost of Government Debt skyrockets making the country (all countries) deficits soar, £2.6 Trillion for the UK and Sunak promised to repay debt for the benefit of our children, if only he understood, this debt will almost never be repaid!

High inflation in itself is bad but adding high interest rates, to the above scenario (i.e. not a booming extended economy) merely makes things worse, this then causes a whole new set of problems, as people get double squeezed (inflation and high interest rates) justified demands for higher wages to offset high prices and high interest rates is just one effect from this insane policy.

And so, from the above, given inflation has fallen by over 60% (-64% to be exact) why oh why haven't Central banks reduced interest rates from the highs of 5.25% (5.5% in USA), by at least 2% even 3%?

Why haven't the Governments screamed for lower rates to help the hard-hit (starving in some cases) voters in their country's??

The answer here is less clear, Central banks have always been notoriously slow in both increasing and more so, decreasing interest rates. They must await a disaster before they act!

A more critical writer might say, Banker's "love" high interest rates, why?? I will let you answer that one.

It would be easy to think they are criminals with something to gain by the populations suffering. However, it is probably more likely to be dogma, they actually believe all inflation is the same, same

causes, same remedies. Interest rate rises are their only cure having no regard for the results of their actions. Then they are reluctant to reduce rates when the evidence is before them that it is not the cure, and certainly not in this, with our current economy, the case.

Consequences

Lagarde recently said that if Women had been at the Helm in the Financial Crises of 2008/9, then Lehman Bros may still be afloat?! I say to her, if central bankers had the balls they would have already cut interest rates to stop some of the suffering of the people. Particularly the poorer people over which she and others inflict these high interest rates. Of course, the same applies to the BOE and slightly less so, the Fed, but even in the USA the poorest people are suffering as much as any, this will almost certainly ensure another presidential term for Donald Trump!

The Central bankers will continue as ever in their lofty towers in complete ignorance of the people's plight, who can sack them? One day!

However for Governments there are consequences, I have mentioned the USA, for Europe we shall see, but for the UK the Conservatives can expect a rout later this year. I suspect they may lose 100 seats and so they should, with an 80 Majority just over 4 years ago, they had the chance to put so many things right, do so much good, in the event they had to deal with Covid but just failed on everything else. Now we almost certainly will have to deal with a Labour government, God help us all.

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