[The Bank of England’s options.]

Inflation is at 1.6% compared to the target of 2.0%. Thanks to the world slowdown and the Chinese epidemic oil prices have fallen by one fifth this year, with freight rates and other commodities also well down. The pound is rising against the Euro and yen. All this points to no inflationary surge ahead. Indeed if there is an inflation problem it is it will be too far below target, as the target is meant to be symmetrical.

The Bank of England should recognise that its tightening of credit conditions through two rate rises, FPC advice against car loans and consumer credit, and tough rules on mortgages has greatly reduced money growth. Tight credit has helped slow the UK economy down to almost a standstill. There is nothing wrong with some increase in credit to people in jobs to buy homes and cars, or to businesses needing more stock and equipment because their revenue is growing. The Bank has to work with the commercial banks to assist low inflation growth.

I do not think a 0.25% cut in the low official rate will do much. I would prefer a new round of Funding for Lending, a scheme which makes cheaper money available to UK banks prepared to undertake sensible new lending to the UK economy. This worked well before and would ease pressures in various areas.

The second is to do what the Fed is doing and make clear to markets that the Bank will make cash available by buying Treasury Bills if needed to preserve liquidity and enforce the current low rate structure in money markets. Commercial banks need to know the Central Bank is not about to squeeze them or damage them as the Bank of England did in 2008-9 by leaving markets short of cash.