Carney right to question necessity of a rate rise

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All this talk about Mark Carney being an "unreliable boyfriend" (April 20) on the grounds that the Bank of England governor indicated that "financial markets were wrong to believe an interest rate rise in May was a foregone conclusion" is extremely puzzling.

Like John Maynard Keynes long before him, Mr Carney knows quite well that economics is far from straightforward. Indeed, students of Keynes at Cambridge university learned this the hard way in the 1930s. Those taking notes during one of his lectures would be liable to turn up the following week only to be told to tear up their old lecture notes on the grounds that Keynes had given the matter some more thought or that the facts had changed and therefore so had the economic theories.

Indeed, the latest big drop in consumer price index inflation from 3 per cent in the fourth quarter of 2017 to 2.7 per cent in the first quarter of 2018 appears to be a "game changer". Why on earth should members of the Monetary Policy Committee press for an interest rate rise when inflation is quickly reverting back to the 2 per cent target? The 2.7 per cent inflation reading is already (much) lower than committee's most likely outcome prediction (the mode) of 2.92 per cent reported in the most recent (February 2018) Inflation Report.

Like Keynes, Mr Carney has merely, and rightly so, given the matter some more thought because facts have arguably changed in favour of a less pressing interest rate increase.

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