

What the IMF is really saying to George Osborne is do m...

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It's worth unpacking what the IMF is really saying to George Osborne in the blog I've just posted from them, [here](#) and [here](#).

Their first suggestion is:

First, monetary stimulus can be provided with further quantitative easing, which evidence suggests can continue to support demand by lowering long-term interest rates and improving banks' liquidity. In line with recommendations made in our report, the Bank of England's Monetary Policy Committee voted on July 5, 2012 to expand further its quantitative easing program. The committee should also keep under review the merits of cutting the policy rate. The recent sharp flattening of the yield curve may have increased the stimulative effect of this instrument, possibly outweighing potential negative effects on money markets and financial stability.

What does that mean? First, do more quantitative easing is hat they're saying. Second, what they're saying is that they are now confident that this will not cause inflation. Third, they're saying that this programme - which can either be seen as printing money to stimulate demand or, [as I'd argue](#), as **the government repurchasing its own debt so that in net terms little or no new debt is being created to pay for the crisis - is working. Demand is being maintained because cash is being created for credit when the banks are refusing to do that job and at the same time debt is being kept under control. Despite the doubts many have, we'd be in trouble without QE right now - and the IMF is recognising that fact. What's more, by effectively cancelling debt the programme has no likely long term overhang, which is just what we need.**