

It's time to print money to fill the hole in the econom...

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The [FT reported yesterday](#) (and I missed it then) that:

Lord Turner, the departing chairman of the Financial Services Authority has defended financing government spending by printing money arguing that, within limits, it “absolutely, definitively [does] not” lead to inflation.

Speaking before a farewell speech in London on Wednesday, Lord Turner, who applied unsuccessfully to be the next Bank of England governor, called for “intellectual clarity” in economic policy, including breaking a taboo that permanently printing money to pay for government services is always bad.

“I accept entirely that this is a very dangerous thing to let out of the bag, that this is a medicine in small quantities but a poison in large quantities but that there exist some circumstances, in which it is appropriate to take that risk,” he told the Financial Times.

Spot on. He's absolutely right.

The government has now printed £375 billion of quantitative easing cash. It's done that for three reasons. First to keep liquidity in the banking system when banks were refusing to create enough money to keep the economy going, because bank lending is the only conventional way we make money at present.

Second, to keep government debt down. [As I have argued](#), because QE means that £375 billion of government debt is now owned by the Bank of England which is in turn owned by the government this debt has effectively been cancelled. That also means that despite the claims made to justify austerity national debt is actually less than 50% of GDP right now.

Thirdly, I'm afraid this was also done to boost bank balance sheets - because they took significant profit on this. That's shocking, but true. We could have nationalised a number of banks for less than the sum we gave them via the QE programme.

Now there have been consequences. We know there has been speculation in

commodities and that has impacted inflation. And there has been an asset price bubble that I think will shortly lead to a stock exchange crash - because nothing justifies the current global stock market pricing and it is bound to fall soon as a result: we're just sitting and waiting for that one to happen now.

But there has not been domestic inflation bar the impact of these schemes: £375 billion of cash has been absorbed by the economy without problem. And I do not foresee a problem arising either: this debt has been bought and has for all practical purposes gone for good. QE is not a reversible programme. No government is ever going to sell this debt again. As a programme this episode is complete.

But it leaves a legacy. The legacy is unreformed and strengthened banks. we need stronger banks, but not ones that did so behind a charade that was actually state subsidy translated into private gain for a few.

And it leaves a legacy of asset price speculation that is indicative of all that was wrong in the UK economy before 2008. That again is unfortunate. For both these reasons I can't suggest more QE.

But I wouldn't anyway, because some time ago I suggested we should [move to a programme of Green Quantitative Easing](#). I argued in that report that:

- a. The government would need to invest directly in new infrastructure for the UK.*
- b. The government needs to invest in the UK economy, in conjunction with the private sector, working through a new National Investment Bank;*
- c. The government must liberate local authorities to partner with the private sector to green their local economies for the benefit of their own communities, and it can do this by providing a capital fund for them to use in the form of equity that bears the residual risks in such projects.*

I stand by that. In fact, I think it now a given that everyone from Boris Johnson leftwards thinks infrastructure investment is vital, even if when I wrote the [Green Quantitative Easing](#) report almost no one agreed. And we now know we can do this by printing money. We don't need austerity elsewhere to invest: when we have 2.5 million unemployed and millions more underemployed all we need is the pump priming mechanism to put these people to work. Green QE delivered through a national investment bank, capitalised by newly printed money in the form of debt issued to the Bank of England is exactly that.

And it would pay for itself. The IMF's realisation that the multiplier effect of investment - at maybe 1.7 - is the evidence of that. Such money printing generates vastly more income than the sum printed - which in turn more than pays for interest on the debt.

It's time to get going with this. The UK needs the investment It needs the jobs. It needs

to end the absurd narrative of austerity. It needs to get out of a black hole. We printed vast amounts of cash to save the banks. Now we need to do it again to save everyone else.

Adair Turner is right, and a welcome convert.

Now, when will others believe we're right?