

## We need economic policy with a bias to the least well o...

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As [John Kay argues in the FT](#) this morning:

*The one certain outcome of QE is that those with assets benefit relative to those without.*

He is right. Quantitative easing is financial engineering that has boosted banks, pension funds, stock markets and the City.

We needed a stimulus that boosted the real economy in which real people live and work and which did not boost speculation, but we got the latter.

What we needed was real investment in the real economy - what I call [green quantitative easing](#). The evidence of that need is obvious. As [The Economist has noted](#):

*In 2012 Britain was 159th out of 173 countries ranked by investment as a share of GDP. Of the 14 farther down the table, seven were in sub-Saharan Africa. The only advanced economies were Malta, Ireland, Cyprus and Greece. Mr Osborne should not be comfortable in this company. If Britain is to remain a G20 economy, it must start investing like one.*

Despite that it suggests more conventional QE. I say yes, but only if at least matched by the green variety. As The Economist also notes:

*Britain's economy cannot run on consumption unless wages grow. But with little investment there is scant hope of the increase in productivity needed to justify a wage boost. A recovery based on low investment and weak wages could well stutter before 2015.*

And yet without a real wage rise people cannot but - hence the [TUC's wholly appropriate demand](#) for a pay rise for the UK.

We are stuck right now. Consumption cannot rise much because of wage

weakness. Investment is weak and shows no sign of changing. Exports will not be rising any time soon. Only government spending will get us out of this, and it must be on investment.

This is the policy the UK needs; the policy Labour should be shouting about, acknowledging that increased taxes on companies and the wealthy will in small part pay for it as a necessary part of redistribution of the gains they have enjoyed to date, backed by increased borrowing that will pay for itself as people get back to work, pay taxes and come of social security payments.

When Labour says this 200,000 union members would, I suspect, sign up. Until it does the question is why they should bother? And that's the key issue that this week has yet to resolve.