

Putting the record straight - Paul Mason and the opport...

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I [wrote a blog yesterday in which I argued](#) the Left needed to have a clearer understanding of who any economic policy it was creating should benefit. The blog drew on three articles on the Guardian, [one of them by Paul Mason, normally of the BBC](#) with whom I took issue - partly because I felt his analysis just too balanced.

Paul's now coming back to me in a comment on this site and in an email. First, he rightly points out that he is, of course, constrained by the BBC rules from entering into political debates. I respect that. His comment is, however, a powerful illumination of the Guardian piece, and I think clearer as to his meaning, [so I share it here](#):

Richard, I take the point that my argument and yours are different. However I just want to clarify what I am saying. I think there are people on the left who are going to be very disoriented if growth is sustained and will try to bridge the gap with denial. There are loads of people who keep telling me growth cannot be real — yet what I am trying to say is that it can both be real, and not felt by large numbers of people.

On the deficit, here's what I think: Labour was right to stimulate the economy in 2009-10. Darling's deficit reduction plan would probably have worked, but even he withdrew crucial investment spending to keep current spending from harsher cuts (in the plan). However a combination of austerity and Europe have caused a double dip — incidentally I predicted the double dip and still think effectively it has happened. In addition we are finding out the economy lost a lot more capacity during the slump phase.

However I have always thought the OBR wrong on the output gap. It was a highly convenient fact for the Coalition to then hike its austerity plan. If the OBR is wrong on the output gap, the economy should be growing if credit is finally getting pumped through, both from housing and FFL and from QE.

I think the left has a total blind spot on monetary policy. A sophisticated monetary policy can do a lot of things fiscal stimulus can't. You can tank your own currency, inflate the debt away and even, as we've seen, pocket the interest off QE money into

the Treasury. You could go further, doing helicopter money — ie with the people's QE.

I don't see the need for a Labour mea culpa on the deficit: it is the failure to regulate the finance system, and their slow, half-hearted anti-crisis measures — compared eg to the TARP — that they need to be self-critical about. Going forward, much as attacking the tax avoidance/evasion gap is a huge opportunity, there is also the opportunity to play a nationally defensive monetary policy — and to seize on upwardly revised growth projections to cancel adherence to the Coalition's deficit reduction plans.

Gheers

Now there's a great deal in that with which I can agree. The analysis of the first three paragraphs is hard to argue with, but where things get interesting is in the fourth and fifth paragraphs.

I accept that the left does have a blind spot on monetary policy - which is something Ann Pettifor has been saying for ages. Of course tax is significant - but even I agree it's not everything, and can't be.

I've long argued for inflation - so long as it is wage led. We have an economy full of rotten money: only inflation can get rid of it. It worked in the past, and it can work again. Inter-generational equity demands it for a start.

You can also change the money narrative - starting by acknowledging that the £375 billion of gilts bought by the government under the QE programme will not be re-sold and should therefore be cancelled - [a point I made here](#). Instantly we don't have a debt problem - which as a matter of fact is true.

And whilst I don't agree with helicopter money per se, I do think we need a Green New Deal in every constituency in the country - on which we have a report out, very soon. There are massive opportunities here.

And in that context Pail is right about the opportunities Labour have available to them - and which they must seize. These are real and in this comment Paul shows he realises that. I'm also sure he's right to wonder if they will grab the opportunity - which makes this political commentary, not debate.

I'm pleased to put the record straight.