

## A recovery built in reflating the bubble of 2006 is no ...

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As the [FT notes this morning](#):

*The US Federal Reserve sprung a surprise on markets by keeping its asset purchases steady at \$85bn a month as chairman Ben Bernanke backed away from the guidance he gave in June.*

*The Fed cut its growth forecast and confounded expectations that it would start to slow its third round of quantitative easing as the rate-setting Federal Open Market Committee said it would “await more evidence that progress will be sustained before adjusting the pace of its purchases”.*

The FT suggests that this is a move to keep long term interest rates low.

I think it far more likely that Ha-Joon Chang has it right. [As he said in the Guardian recently](#):

*QE has become the weapon of choice by these governments because it is the only way in which recovery — however slow and anaemic — could be generated without changing the economic model that has served the rich and powerful so well in the past three decades.*

*This model is propelled by a continuous generation of asset bubbles, fuelled by complex and opaque financial instruments created by highly leveraged banks and other financial institutions. It is a system in which short-term financial profits take precedence over long-term investments in productive capabilities, and over the quality of life of employees. If the rich countries had tried to generate recovery through any other means than QE, they would have to seriously challenge this model.*

QE is addictive: it's sustained the dying finance sector all too well. Again as Ha-Joon Chang puts it:

*Recovery driven by fiscal policy would have involved an increase in the shares of public investment and social welfare spending in national income, reducing the share going to*

*the rich. It would have generated new public sector jobs, which would have weakened the bargaining power of capitalists by reducing unemployment.*

That, of course, is the Green New Deal - with its green quantitative easing, which isn't so very different in impact from QE itself.

The sign is that the junkie can't lose its fix in the US. I suspect that may well be true here too. And that's what's worrying about this. A recovery built on rebuilding the unsustainable bubble of 2006 is no recovery at all, but that's what we're getting.

As a senior UK civil servant said to me in 2009:

*We have to rebuild Anglo-Saxon capitalism; it's all we've got*

I fear that logic survives unaltered today on both sides of the Atlantic.