

The world knows how to prevent stagnation. But has it g...

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My Green New Deal colleague, Larry Elliott, who also is economics editor of the Guardian (which I suspect he would consider the more important of the two appointments) [has an excellent piece in the Observer](#) on the conclusion to the World Economic Forum at Davos.

The final two paragraphs summarise very neatly why the hand wringing on inequality that has over the last three years become feature of that conference is wholly misplaced:

Nothing, though, has been done to reduce inequality. Indeed, the trend has been in the opposite direction. In both Europe and a lesser extent the US, investment has fallen as a share of national output, harming productivity growth. Jobs have been created, but far too many of them have been low paid. What's more, QE has done far more to boost financial assets than it has to boost real economic activity. The real beneficiaries of central bank activism have been the undeserving rich.

As usual, there was plenty of hand-wringing in Davos about the need to do something to reverse this trend. As usual, there was a failure to contemplate what this might mean, apart from the motherhood and apple pie of education, training and skills. It actually means a repudiation of austerity. It means the willingness of governments to take advantage of low interest rates to borrow for public investment. It means closing tax loopholes and tax havens so that governments can afford to invest more in education and training. And it means stronger trade unions. Business leaders have a choice. Understand that less inequality equals stronger, less debt-dependent growth. Or watch as secular stagnation takes hold.

Will governments borrow and spend in a Green New Deal?

Will they choose to close tax loopholes and tax havens?

Will they reverse oppressive union laws?

Or will they choose stagnation?

They know how to avoid that fate, but it would require courage to break the mould to do so. And is there any business leader let alone enough politicians with power willing to do that?

I wish I believed there were.