

People's QE could consign PFI to history

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I spent a lot of time yesterday talking about what Jeremy Corbyn has called [People's Quantitative Easing](#), which I had previously called [Green Infrastructure Quantitative Easing](#). I thought it might be relevant to provide an example where this might work.

The [Guardian reported at the weekend that](#):

The Scottish government's flagship programme to have billions of pounds poured into privately financed roads, schools, colleges and hospitals has suffered a major setback after running foul of EU borrowing rules.

John Swinney, the Scottish finance secretary, has been forced to launch a major review of his government's entire private financing strategy, after the Office for National Statistics (ONS) stated on Friday that the biggest scheme — a £1.5bn bypass around Aberdeen — had to be counted as a public asset.

The Guardian revealed earlier this week that at least 24 prestigious projects in Scotland, which would have lifetime borrowing and maintenance costs of up to £10bn over the next 35 years, were being restructured and delayed as a result of the new tests imposed on privately financed projects by the EU statistics agency, Eurostat.

Based on Eurostat's new tests, the ONS has now ruled that the Aberdeen western peripheral route (AWPR), a 58km (36-mile) dual carriageway around the city currently under construction, is a publicly owned and controlled project and not, as Scottish ministers had argued, a private scheme.

Let me be clear, as usual, that I am not interested in the party politics of this, if there are any: it is the principles that matter to me. Three issues arise here.

The first is that to secure the investment Scotland needs that was otherwise unavailable to it the Scottish government has had to resort to PFI schemes, which are absurdly expensive when government borrowing is available at about 2% per annum at present. These schemes makes no economic sense at all.

Second, to achieve that goal and beat the paranoia about public debt that weighs down all political debate in the UK it has sought to use artifice to argue that these are not public schemes at all. I do not blame them for doing so, but it is absurd that accounting rules mixed with wholly mistaken understanding of the nature of debt force it into this position at real cost to the public.

Third, the Scottish government is now landed in the position that this is all cost and no gain.

And this is precisely what People's QE (or GIQE) is intended to solve. There is a real need for investment in Scotland. It should be possible for the government to deliver what is so clearly needed, especially when government borrowing is cheap (in contrast to PFI) and the spare capacity to build these resources is readily available. If bonds to fund these schemes had been created, sold to banks and then been repurchased by the Bank of England the funding could have been provided at vastly lower cost than PFI; the finance sector's exploitation of infrastructure projects (almost always via offshore companies) could have been eliminated; the private construction sector would still have gained; the projects would have been built at least as efficiently and the cost in the long term, where under People's QE no interest need be charged as the funding is, quite literally, created by the Bank of England out of thin air, would be negligible. Instead Scotland will be burdened by these projects for years to come.

And, as I noted yesterday, the EU and Bank of England have already made clear that this is entirely legal.

If that does not make the case for this form of QE I ma not sure what does. Isn't getting rid of PFI enough in itself to justify its use?