

People's Quantitative Easing won't be inflationary

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Time and again it seems that the [criticism being made of People's QE is that it will be inflationary](#). I dispute that. So too does Jeremy Corbyn. Let me offer three reasons why.

First, the assumption that there will over the next few years be both growth and the restoration of a steady rate of inflation is just that, i.e. an assumption. There is no reason think it right. If there is an organisation that has got things consistently wrong in growth, in particular, throughout it's entire existence it is the Office for Budget Responsibility.

Second, the fact that we have zero inflation at present is not just the result of an oil price aberration (although I accept it contributed). We have zero inflation because we have a nation where there is unemployment, far too many people on minimum wage and five million self employed people who have seen their average incomes fall by 20% in the last five years. And at the same time we are about twenty per cent less productive than France. That is why we have zero inflation: there are too many under paid people in the UK who don't have a chance to work to best potential and the economy is responding by going nowhere. That's why large-scale investment is needed in the UK economy.

As I [showed earlier this week](#), the government is forecasting that over the next five years business will borrow £300 billion to invest in the UK. The only problem with this forecast is that it requires business to first of all start net borrowing, which it has not done for more than a decade, and secondly to invest at a real rate not seen in the UK since 1980 (I have not checked data before then, but that's sufficient to prove a point). I cannot see either happening: around the world there is glut of corporate savings, an absence of any indication of an upturn in business investment or any obvious reason for it. It just isn't going to happen. But the important thing is that the government says the economy could absorb this much new cash creation through lending to fund investment without inflation happening.

I am suggesting that PQE might be in slightly smaller sums than £60 billion a year (to be realistic). But I happen to agree with the government on this one: creating

investment of that amount using newly created money will not be inflationary.

In that case I suggest that using the government's own data and realistic economic forecasts on the behaviour that is likely over the next few years People's Quantitative Easing will not create inflation at above the Bank of England target in any circumstance that can be reasonably foreseen.