

QE did not work. That's why we need People's QE

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If you want to know the difference between quantitative easing and People's Quantitative Easing, and why they might be used, the few minutes spent watching [Paul Mason's video on the subject](#) may be well spent.

What may not be so well spent is the money printed to fund the quantitative easing programmes of the world. Maybe \$5 trillion has been or is being committed to such programmes: £375 billion has been in the UK and ~1 trillion is ongoing in the EU. But as Stephen D Williamson of the Federal Bank of St Louis (which is a major player on banking issues) [has noted in a recent research paper](#). He says (amongst other things):

[T]here is no work, to my knowledge, that establishes a link from QE to the ultimate goals of the Fed inflation and real economic activity.

Which is pretty damning. As is:

Indeed, casual evidence suggests that QE has been ineffective in increasing inflation. For example, in spite of massive central bank asset purchases in the U.S., the Fed is currently falling short of its 2% inflation target. Further, Switzerland and Japan, which have balance sheets that are much larger than that of the U.S., relative to GDP, have been experiencing very low inflation or deflation.

In that case blow the theory that Williamson spends time discussing, at the level of the 'bleeding obvious' QE does not seem to be delivering.

It does seem likely that QE has had impact to me. These impacts are almost entirely in asset price inflation, whether of gilts, equities, housing, land more generally, but not now of commodities, where the impact looks to have been short lived. So, QE has inflated the parts of the economy where wealth divides already exist. But it has not delivered real economic activity or inflation although these were its goals.

What is more, we do not have inflation in the UK as yet, and are still suffering the slowest economic recovery ever, [whilst I argue that](#) the assumptions inherent in George Osborne's growth forecasts are so absurd we're not going to see his plans realised in

his political lifetime.

So, we need another plan: a plan that injects real economic activity and money into the real economy. Tax cuts could do that, but are hard to reverse. They are also really hard to target on growth. Borrowing could do that but the cost is greater than bank base rate. People's QE is targeted and the cheapest money available in an era of very low bank rate (which will continue, whatever the hawks say). And that's why it is relevant, on the agenda, and will be needed.