

Robert Skidelsky on the merits of People's Quantitative...

Published: January 12, 2026, 9:15 pm

Lord Robert Skidelsky, an economist who I have never met [but whose work on Keynes](#) I would thoroughly recommend to anyone, [had an article in the Guardian yesterday](#) in which he said:

Fiscal austerity has become such a staple of conventional wisdom in the UK that anyone in public life who challenges it is written off as a dangerous leftist. Jeremy Corbyn, the current favourite to become the next leader of Britain's Labour party, is the latest victim of this chorus of disparagement. Some of his positions are untenable, but his remarks on economic policy are not foolish and they deserve proper scrutiny.

Corbyn has proposed two alternatives to the UK's current policy of austerity: a national investment bank, to be capitalised by cancelling private-sector tax relief and subsidies; and what he calls "people's quantitative easing" — in a nutshell, an infrastructure programme that the government finances by borrowing money from the Bank of England.

And, as he notes:

The first idea is neither extreme nor new. There is a European Investment Bank, a Nordic Investment Bank and many others, all capitalised by states or groups of states for the purpose of financing mandated projects by borrowing in the capital markets. The rationale for this type of institution derives from what the great socialist theorist Adam Smith called the state's responsibility for the "erection and maintenance" of those "public works and institutions" that, while of great advantage to society, would not profit private enterprise.

In other words, the state should always have an investment function. Delegating that function to a dedicated institution may have advantages for the presentation of the public accounts.

I am grateful for that comment. And for this too:

"People's quantitative easing" is a more unorthodox — and a more interesting —

version of this idea. Under conventional QE, the central bank buys government securities from banks or corporations and relies on the extra cash that it “prints” to stimulate private spending. Studies suggest, however, that much of this money goes into speculative activity, risking asset bubbles, rather than being channeled into productive investment.

An alternative would be to distribute the central bank’s newly issued money directly to housing associations, local councils and national or regional investment banks — any organisation that could carry out infrastructure projects. This is what Corbyn proposes.

As he adds:

This idea of monetary financing of fiscal deficits -borrowing from the central bank, rather than from the bond markets - has a reputable pedigree. In a lecture to the Cass business school in February 2012, Adair Turner, the former chair of the UK Financial Services Authority, proposed it as an option if further borrowing from the markets were politically or financially impossible.

Robert Skidelsky also endorses a key argument of mine:

Corbyn’s proposal, unlike orthodox monetary financing, would not add to the national debt — a major advantage. Orthodox QE — let’s call it “monetisation one” — is intended to be reversed, with taxation used to raise the money to redeem the government bonds held by the central bank. The expectation of future tax hikes could drive people to save part of the new money, rather than spend it. Unorthodox QE - “monetisation two” - avoids this problem, because the central bank’s borrowing will not be repaid. Its assets net out against government liabilities. That is why it should not be excluded a priori.

But he does not buy everything, I admit, saying:

There is a strong case for monetisation two in the eurozone, which faces zero growth and deflation.

It is hardly the case, however, that the UK economy, currently growing at close to 3% a year, needs a further QE programme of any kind right now. The government can borrow all it wants from the bond markets at near-zero interest rates. Outsourcing such borrowing power to a national investment bank is merely a way to signal that any additional borrowing will be used for investment, not for current spending.

I think that this misses the point: bonds are only one way of withdrawing cash from an economy. If that economy is growing but not in the way desired then tax is another, and in combination with PQE the necessary reshaping could then be achieved. As I have long argued, tax is really about the way we shape the society we want. But I happy to disagree on this point. As Robert says, the argument still has merit:

There are two solid arguments for activating such an institution in the UK today. First, the share of private investment in GDP is still below its pre-crash level of around 11%. This suggests that investors lack confidence in the durability of the recovery.

Second, depending on the institution's mandate, a state-led investment programme offers a way to rebalance the British economy away from private speculative activity to long-term investment in sustainable growth, and away from the south-east to the Midlands and northern England. In short, it offers a way to address the problem of "private affluence and public squalor" that John Kenneth Galbraith identified in the 1950s.

This conclusion is especially important:

Corbyn should be praised, not castigated, for bringing to public attention these serious issues concerning the role of the state and the best ways to finance its activities. The fact that he is dismissed for doing so illustrates the dangerous complacency of today's political elites. Millions in Europe rightly feel that the current economic order fails to serve their interests. What will they do if their protests are simply ignored?

That's a very good question. The whole point of the economics I have discussed in recent years has been to suggest that there is an alternative to the neoliberal hegemony that has deliberately ignored those needs. People's Quantitative Easing is a part of that alternative. If it's creating an essential debate, and it seems that it is, then it's achieving the first part of its objective already. Delivering the programme of investment that this country really needs is when, however, it will have the chance to radically transform this country.

What the economy will be like in 2020 cannot, of course, be appraised as yet, but the simple fact is that if Osbornomics fails as badly [as I have always suggested it might](#) this country will be in need of an investment programme delivering hundreds of billions of new economic stimulus, jobs and infrastructure. If and when PQE does that then its merits will really be seen.

But there's a long way to go and a lot of hurdles for many to cross before that might happen.