

Why now? And what to do next

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I was asked an hour or so ago by a pretty senior economist I thought of today's financial market action. I offered a range of reactions.

First I said this is the result of no real correction after 2008: no reduction in inequality; no investment in productivity; no market reform; no real regulation of finance.

Second this is the result of using financial QE as a patch and not using what I would call People's Quantitative Easing as a reform ([even if it was green quantitative easing back in 2010 a far as I was concerned](#)).

Third there has been no attempt by government to build infrastructure when borrowing costs have been near enough zero.

As a result there have been five lost years since 2010 when austerity became the agenda. And now we are paying the price.

What to do? First, provide a safe haven for investors: sell new infrastructure bonds so they are promised their money will create jobs. Do it nationally, do it regionally, do it sectorally, but just do it. People need to know that this time there money will be used wisely and only co-ordinated government action can do that.

Second use these bonds and PQE (which will be the part of this programme financed by new government printed money) to hold rates low, to flood money into the real economy and this time deliver the 21st Century Deal - Roosevelt again.

Third, reform taxation.

Fourth, really regulate markets and banks this time.

Fifth, build the democratic framework that takes us beyond neoliberalism.

Sixth, put people and not finance at the heart of everything.

It's not a complete explanation of answer. But it's the basis for both.