Within a year or so People's Quantitative Easing will b...

Published: January 15, 2026, 2:10 pm

People's Quantitative Easing (or green quantitative easing, as I once called it) is now considered a part of Corbynomics. I have a feeling that will not remain the case for long.

This morning there is news that the Chinese stock exchange has fallen by 8%. It fell 11% last week. Other markets are falling too. And yes, I know that in some senses stock markets are deeply unrelated to real economic activity, but that disconnect appears to have little economic consequence for most people on the up side of a stock market bubble and has a great deal to do with their well-being on the down side. Markets rise for all sorts of reasons, from conventional quantitative easing onwards. When they crash - and China's is crashing - they do so because there is a stark and sudden realisation that there is something deeply wrong in an economy and a period of economic adjustment - call it a recession, slump or even depression - is going to happen before it is put right.

Such a correction in a small state can, to some degree, happen without ripple effects. China is no small state. It is the second largest economy in the world. It has been the source of most economic growth since 2008. And there is every sign that it will not be for some time to come. This will ripple, as will the political impacts, which cannot be ignored. Those in charge in China will pay the price for what is happening: that is the Communist Party way. Political disruption and an uncertain new path will follow. The ramifications of the failure of neoliberalism in China could be huge.

What is undoubtedly true is that George Osborne's optimistic growth forecasts are going to look wildly wrong in the light of all this. We are not going to see export growth to the Far East, as he assumes. And whilst imports of some goods and oil will be cheaper, what we will also get is deflation and the threats that go with it inclduing a decline in market confidence here and a lack of investment that will follow from that and so falling growth rates that will threaten us with a recessionary environment quite soon.

All we can say that might be good is that interest rates will not be rising.

But if, as I expect, foreign inflows of funds into the housing market cease then the house building surge in London will end and some banks may be at risk as a result, and negative equity will be a possibility again, especially for recent entrants to the market.

As Larry Elliott has put it (all is forgiven Larry):

And so it begins. Shares are falling, currency markets are in turmoil. The price of oil is going through the floor, burning the fingers of speculators who have made the wrong bets on borrowed money. Welcome to the crash of August 2015.

And what will get us out of crisis this time? My suggestion is that sometime, very soon, People's Quantitative Easing will be on the agenda of every government with a crisis on its hands as they desperately need to get people to work again and central bank money printing has, this time, to deliver direct economic activity to ensure the world stays economically upright. I may, of course, be wrong (any wise person has to consider that possibility) but right now there is not much else new and waiting on the blocks to keep the world afloat.

Jeremy Corbyn may find Corbynomics is mainstream, long before he gets to power.