

Paul Krugman gets People's Quantitative Easing

Published: January 14, 2026, 6:18 pm

When, back in 2010, I first wrote my idea about using quantitative easing as a fiscal policy - which is now known as People's Quantitative Easing - I had no idea what impact that might have on current UK political debate. Or that so many economists would line up to talk about it.

The most recent to discuss such issues (without I would stress, mentioning anything to do with the UK or any thinker based here) is Nobel laureate Paul Krugman. In a [New York Times opinion piece he has argued](#):

Japan needs to make a decisive break with its deflationary past.

And he argues that it is convention that is preventing this. As he puts it:

Respectability, it turns out, can be an economy-killer, and Japan isn't the only place where this happens.

Too true: the UK is also gripped by the paralysis of thinking that is hitting Japan. The convention that is part of the paralysis is, in Paul Krugman's view, quantitative easing. That is hardly surprising: as I have noted, [it has failed to deliver inflation](#) (as is its intention) anywhere despite \$6.5 trillion or so of it. I don't quite agree with Paul Krugman as to why that is. But he does ask the right question:

How, then, can policy fight deflation?

Noting QE has failed he says:

What's remarkable about this record of dubious achievement is that there actually is a surefire way to fight deflation: When you print money, don't use it to buy assets; use it to buy stuff.

Or do what I call People's Quantitative Easing in other words: invest with this new money. But as he says:

But nobody is doing the obvious thing. Instead, all around the advanced world governments are engaged in fiscal austerity, dragging their economies down, even as their central banks are trying to pump them up.

So why are they doing that? Krugman says:

Part of the answer is that demands for austerity serve a political agenda, with panic over the alleged risks of deficits providing an excuse for cuts in social spending. But the biggest reason it's so hard to fight deflation, I contend, is the curse of conventionality. After all, printing money to pay for stuff sounds irresponsible, because in normal times it is. And no matter how many times some of us try to explain that these are not normal times, that in a depressed, deflationary economy conventional fiscal prudence is dangerous folly, very few policy makers are willing to stick their necks out and break with convention. The result is that seven years after the financial crisis, policy is still crippled by caution. Respectability is killing the world economy.

I agree.

And I say that despite knowing that some say the UK is not in this situation and we face no risk of deflation despite the fact we currently have none, we have continuing unemployment, massive underemployment, poor productivity, an economy starved of infrastructure and a world economy at threat of a major global down turn spreading from Chian, the emerging economies and the implications of low oil prices for the Russian economy, which are serious.

People's Quantitative Easing is not the answer in every situation. Surely I have said that enough times by now? But it has a role to play in ensuring we do increase wages, employment, investment, growth and so (vitally - this is after all a key macroeconomic target that George Osborne and the Bank of England have badly failed upon) modest inflation.

And now a Nobel laureate says he agrees.

I'll bank that one.