

PQE in Progress

Published: January 14, 2026, 4:22 am

I wrote this article for Progress, the Labour think-tank, and [I am told they have published it in their Labour Party conference programme](#):

People's QE' might, according to Ambrose Pritchard-Evans of the Daily Telegraph, be the most important idea that Jeremy Corbyn has put forward. He is not alone in saying so. Paul Krugman said pretty much the same thing in an op-ed in the New York Times recently.

So what is all the fuss about? As the creator of the version that Corbyn has endorsed let me explain.

Quantitative easing is the process where a central bank (in the United Kingdom, the Bank of England) buys bonds that have been issued by the government that owns it. The aim is threefold. First, it wants to provide liquidity in the form of new money to the economy when private banks are not lending enough to meet the need for money creation. Second, the aim is to create inflation when (as now) the economy stubbornly refuses to do so of its own free will and the curse of deflation hangs over us. Third, it hopes that because of changes in the way QE, at least in theory, changes financial asset portfolios that some new money will trickle into the real economy to stimulate growth.

There is one problem. The experience from about \$6.5tn of money being spent on or committed to QE in the United States, Japan, the European Union and the UK is massively disappointing.

We have no inflation. The UK has had the slowest recovery from a recession since the South Sea Bubble in 1720. And the new money has only given rise to asset price inflation, whether it be stock markets, or commodities (which many think remain overpriced), buy-to-let or top-end housing in London. Income and wealth divides have increased. Real people have lost out. And the story is the same in the other economies that have used it.

What is worse, now QE has so obviously failed there is no economic weapon left to deal

with next economic downturn, and few doubt that is on its way. As Martin Wolf argued recently, that will be the next big export from China.

'People's QE' is that new weapon. What it suggests is that the government will in the next downturn have to invest directly in what Krugman calls 'stuff' and which I call social housing, rural broadband, sustainable energy, new transport systems and much more.

All such investment could be coordinated through a National Investment Bank. It would issue the bonds to pay for this essentially fiscal stimulus. The Bank of England could buy them to keep cash supply going, the one success of QE to date. By happy coincidence, the cost of the resulting funding for investment would be the lowest possible at present.

So would it work? My answer is 'Yes'. It could create inflation by creating demand for labour and so delivering real wage increases, which is what we need. Can that inflation be controlled? Of course it can; housebuilding can be stopped at the end of the street.

Will it deliver growth? Yes. Indeed, Standard and Poor's estimates the multiplier effect on infrastructure in the UK could be as high as £2.50 for each £1 spent within just three years. Tax recovered would give a payback on investment over the same timescale, near enough. We would have the infrastructure for the long term. That is why Pritchard-Evans says: 'QE as we know it is dead. It is an urgent national imperative to craft a radically new form before the next crisis hits.' I agree. And it has taken Jeremy Corbyn to notice the fact.

I hope this lays to bed once and for all what I think PQE is: it is a tool to help beat recession and deliver real wages growth as a driver of inflation. Which is what we need. Whilst creating long-term assets for the UK.

I'll deal with the counter arguments in a subsequent blog.