

## PQE 'would carry quite a lot of respectability'

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The [FT posted this comment](#) yesterday and I missed it at the time:

*Labour's new shadow chancellor has got at least one thing right. Amid the brickbats thrown at John McDonnell, there is a nagging failure to acknowledge the validity of one part of his critique of the money-creation programmes of the four leading central banks. Quantitative easing , as this policy is known, has bailed out bonus-happy banks and made the rich richer.*

The article concluded:

*Mr McDonnell and [Jeremy Corbyn](#), the new Labour leader, advocate a second approach: targeting QE at infrastructure projects. The central bank would buy bonds direct from the Treasury on the understanding that the funds would be used to improve housing and transport infrastructure. The timing is flawed; the Bank of England deems further QE unnecessary, and any large money creation now would risk stoking inflation. But if the idea were kept as something to implement the next time the country faces a financial crisis, it would carry quite a lot of respectability.*

Some object that creating money to spend on infrastructure would undermine the central bank's independence by forcing it to buy direct from the Treasury. Yet monetary policy has already extended well beyond its technocratic bounds into the realms of wealth distribution. QE had clear wealth effects, which could have been offset by fiscal measures. All political parties should acknowledge this. So should those of us who want free markets to retain their legitimacy.

For the record, the timing issue is not one at all: no one is suggesting using it unless there is a downturn.

But what is really interesting is the author of this piece:

*The writer [Paul Marshall] is chairman of Marshall Wace, a London-based hedge fund*

That does make this interesting.