

The Telegraph endorses People's QE

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This is a headline in the Telegraph this morning:

You did read that correctly: that is in the Telegraph. And Ambrose Evans-Pritchard means it. He writes:

There are many good reasons to gasp at Jeremy's Corbyn's planned assault on capital, but his enthusiasm for "People's QE" is not one of them.

Overt monetary financing of deficits - the technical term - is exactly what the world will need if the global economy tips into another recession with interest rates already at zero and debt ratios stretched to historic extremes.

And as he adds:

Governments that do not have such a contingency plan in place to combat a potential deflationary shock from East Asia should be hauled before their respective parliaments to account for their complacency.

Which is precisely why I have been making the case for People's QE (as it is now called, but which was once green quantitative easing) for some time. A responsible Opposition has to raise such planning as an alternative to the proposal of the government if that is likely to fail.

As the Telegraph also notes:

HSBC's chief economist, Stephen King, argues such drastic measures may be our last

resort in a "Titanic" world with few lifeboats left, if anything goes wrong. He is not alone in the City of London.

And as Pritchard-Evans then says:

The European Central Bank is dipping its toe in these waters right now. It is quietly buying the bonds of the European Investment Bank, an EU public body that chiefly finances infrastructure. While the ECB may not care to admit it - for fear of fresh lawsuits at the German constitutional court - it is in effect "printing" money to pay for fiscal stimulus.

The scale is small, but the principle is much the same as Mr Corbyn's plans to harness QE from the Bank of England to fund a British "National Investment Bank".

There does then follow some more typical Telegraph argument to keep the readers happy, but the article concludes saying:

But he [Corbyn] is right that investment levels in Britain are woefully low by the standards of OECD peers, an underlying cause of our chronic account deficit, now the worst in the developed world at 6pc of GDP.

If the private sector will not rise to the challenge, it is up to the state to take on the responsibility, a duty advocated by none other than Adam Smith.

And his instincts on monetary policy are essentially correct. QE as we know it is dead. It is an urgent national imperative to craft a radically new form before the next crisis hits.

It was a quarter in which I did not expect to find such strong support. But I am pleased to note it.