

Central bankers asleep on the watch

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The [FT carries an article under this heading this morning](#):

Summers hypothesis is that if inflation looked like it was running away with itself we could be quite sure that central bankers would be acting, and fast. Because it is instead at or near negative territory they are so far from taking action it is as if they are asleep on the watch.

He concludes by saying:

Today's risks of embedded low inflation tilting towards deflation and of secular stagnation in output growth are at least as serious as the inflation problem of the 1970s. They too will require shifts in policy paradigms if they are to be resolved.

In all likelihood the important elements will be a combination of fiscal expansion drawing on the opportunity created by super low rates and, in extremis, further experimentation with unconventional monetary policies.

People's Quantitative Easing in other words, or [Green Infrastructure Quantitative Easing](#) as I once called it.