Funding the Future

This time make it People's Quantitative Easing

Published: January 17, 2026, 9:31 pm

It's a weird world when Mark Carney seems to be the one person able and willing to act on the UK economy. But we are, very definitely, living in weird times and as a result it is his voice that is giving indication as to what may happen next.

What we know is twofold: the Bank of England is likely to cut its interest rate. Already at 0.5% and with 10 year government borrowing costs at less than 1% this is the clearest indication that even if we are not yet heading for negative interest rates in the UK we are certainly following the trend in that direction.

Second, we will almost certainly have more quantitative easing (QE) which must mean that he thinks that there is a shortage of liquidity in the banking system.

Put these two factors together and it is obvious that Mark Carney thinks that Brexit is having a significant, and negative impact on the UK economy. In effect, what he's saying is that he expects people to save more and borrow less. In the new understanding that the Bank of England, thankfully, has of money saving (which can take the form of loan repayment) effectively destroys money by taking it out of existence whilst lending effectively creates money by pushing new cash into the economy.

Cutting interest rates is designed to encourage lending when there is a shortage of new money creation.

QE is a backstop measure when a cut in interest rates does not work and means that the Bank of England does, itself, create the money that the economy needs to keep functioning.

That both measures were mentioned in the same speech clearly indicates that Mark Carney has little confidence that interest rate adjustment work: it is symbolic rather than effective. It would be wise to assume that QE will follow soon.

This puts us back in the position we were in in 2010. QE will pump money into the economy, but the reality is that the vast majority that will go into speculative activity, will support financial trading, will boost bankers' bonuses, and will preserve the integrity of bank balance sheets, which is, however, an objective that could be much better achieved by the government taking direct stakes in their share capital instead using the same money. To put it another way, QE is an extremely blunt instrument to achieve a goal that has very little direct benefit to most in the UK.

This is why Colin Hines and I created the idea of what we then called Green Quantitative Easing in 2010, which is probably best explained here. Jeremy Corbyn did, of course, rename this as People's QE but the essence did not change.

In this alternative form of QE the money created by the Bank of England is provided to a National Investment Bank to inject into the real economy. In other words, it funds new investment. In the short term that could be infrastructure repairs. It could also be investment support to businesses. That investment in business can either be in equity capital or by way of loans. In this way the risk that the money will be used to fund speculation and not to promote real economic activities is avoided: the banks as middlemen are cut out.

This is precisely what our economy needs now. In the aftermath of the referendum vote, with all the uncertainty that is faced, the British economy needs a direct injection of cash to ensure that it has the capital it needs to continue to create the jobs that the people of this country deserve to make the goods and services that we require and which we must export to continue to provide a solid foundation for our future. At this time only the government can provide this, and QE provides the mechanism to do so.

If, and when, we have politicians able to make decisions again they must in that case step up to the mark and tell Mark Carney that much as he might want to create QE to support banking sector the country requires that he does more: this time we need People's QE as well.