

Why isn't Labour still talking People's Quantitative Ea...

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In 2015 Jeremy Corbyn adopted the policy of People's Quantitative Easing when seeking to be leader of the Labour Party. [He borrowed the idea from me](#). Since being elected he and John McDonnell have little used the idea. This is hard to understand since it was probably the most distinctive part of his whole economic appeal in 2015, letting him suggest that the funding to build the new infrastructure this country required would always be available [if the physical resources to deliver it on the ground existed](#).

There's another reason why it's surprising that he has ignored this though. And that is because Labour actually authorised its use in 2009. When Alastair Darling authorised quantitative easing that year he wrote [this letter](#) (of which I reproduce part):

I stress, this authorisation was later repeated by George Osborne and is still in force.

So, let's cut to the quick. First, what this letter says is that there was no reason why QE had to buy gilts. In fact £1 billion was used for other assets, and then Mervyn King brought a halt to that (I understand). But quite specifically, that was the Bank not following the Treasury guidelines provided by Alistair Darling. It is quite reasonable to argue that quantitative easing as delivered is not what Labour ever intended it to be.

Second, despite the claim that QE is a policy for the Bank of England to manage the Treasury was firmly in command of this process when it was created, authorising what could be purchased. The Bank could merely suggest alternatives. The policy did not then devolve decision making powers to the Bank for them to exercise. They were merely the operating agent.

Third, the Bank was indemnified for losses: that makes very clear who was meant to be running this policy.

Fourth, the condition was that the assets had to be capable of sale at investment grade in normal times (which we still do not have).

So, first of all, unless you can argue that the bonds issued by a new National Investment Bank would not carry investment-grade status I now think we can say three further things.

First, People's Quantitative Easing is not only legal, it has already (subject to a new National Investment Bank's bonds being sold by tender into the market in the first instance) already been authorised.

Second, the idea that the Bank of England already had any independence on this issue is a total fiction.

Third, when and if the market returns to whatever normal might now be defined to be because these bonds would still exist on the Bank's balance sheet if they had been funded by QE then they could still, at least technically, be sold, which is the Treasury requirement for acceptability.

So, in other words, all the legal and structural arguments against People's Quantitative Easing fall away: it has already been authorised and is already legal. Labour could say so and they would be entirely right in doing so.

The question then is why aren't they doing so? After all, we are still not living in 'normal economic times', whatever that might mean now. And there is not a shadow of a doubt that we are suffering underemployment that is resulting in low productivity and so under-usage of capacity which only needs the availability of credit (which is, note, the reason for QE) to bring it into use. This is exactly what a National Investment Bank could deliver. That Bank could, of course, offer its bonds to the market, most especially as a form of National Savings, I suggest. But the backstop for its funding could and should still be People's QE.

The result would be that in every constituency those 'shovel ready' jobs that we know need to be done could be funded. If we just put out the appeal to local authorities and health authorities I think we can be sure that they could come up with:

- * Extensions that are needed
- * Repairs needing doing
- * Insulation projects
- * Small road schemes
- * Local transport infrastructure improvements
- * Bandwidth improvements

- * Houses needing building
- * PFI projects they would love to drop
- * New schools that are required
- * GP surgeries that could be improved

And then ask universities and you'd get:

- * Capital for research projects and joint ventures
- * New applied research e.g. on renewables

And if you want to be really broad-minded:

- * Create a small business venture capital fund.

The question for Labour is why not say all this now when the funding for it is already approved, is legal and authorised and it could be managed by a new National Investment Bank under existing BoE authority from the Treasury right now.

I wish I knew why it isn't being explicit about it. Because it should be.