

We can deal with a new recession

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The [Guardian reports this morning](#) that:

Britain is facing the highest risk of a recession since the financial crisis and needs urgent plans to combat the next downturn, according to an alarming assessment of the nation's economic health.

Preparations need to be made to reduce the impact, the study by the [Resolution Foundation](#) thinktank warns. It states that both uncertainty around Brexit and the global economic slowdown have led to the highest recession risk since 2007.

I happen to agree with that, and so do many commentators from Mark Carney at the Bank of England onwards.

What I do not agree with is this:

James Smith, its research director, warned against complacency. "Policy-makers can't prevent recessions from happening, but they can limit their damage with the right policy response. The problem for the incoming government and the Bank of England however is that many of the tools used to fight the last downturn — from big interest rate cuts to £375bn of QE — are either spent or severely blunted. So whether or not a downturn starts in the near future, planning for it certainly should."

So what?, is my point with regard to this. The recession we will have now is not the same as we had in 2008. And the answer has to be different.

As the [FT noted in 2015](#):

Mr Murphy said on Thursday that people's QE would be essential by 2020 because the economy would probably have taken a battering by then. "China's currency devaluation is likely to export deflation, to prick the housing bubble and to prick the investment bubble," he said. "But if it is not China, it will be something else — there are significant other problems which the chancellor is doing nothing about."

And yes, it is China now: it has just reported its lowest growth in 27 years. Admittedly, I did not allow for Trump, but I covered the risk.

And the answer I gave then - of people's QE - is still the answer now. We have no need to have a recession: all we need is a government that understands how money works and how it can intervene when markets do not deliver. People's QE as always designed to deliver that, and it will. Why is it so hard for people to say so? Including Corbyn.