

Biden is a cause for hope - but only if he embraces the...

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Not many weeks change the world. This one will. The end of the Trump era is a reason to celebrate. Evil, because that is what I think Trump represented, can be overcome. If that is not cause enough to raise a glass of whatever you wish, I am really not sure what might be.

That said, Biden has to deliver on his promise. And that is of hope. And if he thinks he can deliver that by being Obama again, he is wrong. Obama was better than what went before him. He was vastly better than what followed him. But he was far from what we wanted.

He bought the debt constraint.

He thought the US, of all nations, was like a household.

He believed inflation might run away.

He did not deliver full employment.

On wages his delivery was so weak he paved the way for Trump.

Infrastructure continued to fail.

Environmental issues were not tackled.

Wall Street won from bail outs. No one else did by nearly as much.

Wealth inequality was increased, even if not to the scale Trump might eventually be seen to have achieved.

Of course the Affordable Care Act was good. But it wasn't good enough.

Biden can deliver an alternative. We now know the deficit is not a constraint. We know the Republicans believe in massive unfunded spending. We know QE can control debt.

We know interest rates can be controlled. We know that deficits do not deliver inflation. In other words, we know the rules of government funding have been rewritten.

QE has real flaws in it. Most especially it increases inequality, and that simply has to be tackled. It is vital that it is. But QE has paved the way for the new understanding we have in macroeconomics.

Remember that when it was introduced QE was called 'unconventional monetary policy'? Even the Bank of England now think it is conventional. It is here to stay. No one seriously thinks otherwise now. But that means the confused thinking around its conception needs to be revisited.

It was conceived of as monetary policy. And maybe it was. The aim was to control inflation. By reducing official interest rates and creating QE the aim was to force private sector funds into higher risk investment. The goal was to increase real economic activity. The hope was for recovery. And that did not happen.

QE did not deliver as planned because it was not really monetary policy. Actually, it was a hidden mechanism for the delivery of fiscal policy, but that was not appreciated. Or maybe, more accurately, it simply smashed down the false divide between these issues and simply showed that one economy that is in trouble needs integrated thinking to address the issues it faces.

Appreciating that, however, is key to the hope Biden has to deliver. He need not worry about debt, deficits and inflation right now, because he has the tools to control them, and the risks from them are also minimal. But, and that is a massively big 'but', he has to appreciate that his task is to create the delivery mechanism that conventional QE - that used to date - has lacked.

There is no invisible hand to deliver what society needs right now. There is, to be blunt, just the hand of Biden controlling the whole mechanism of US government to do that.

So he has to direct where the new investment is going to be. Whether it's environment, infrastructure, health care, or whatever, the risk that things will not happen with the money his government will create using QE (as surely, it will be created) must not be taken.

So, there needs to be an investment program in the US (deliberate speaking) and it has to be linked to QE funding by offering the incentive to reallocate money from speculation to the public purpose.

Of course, this activity could all be done by the state. But that would still leave the money circulating in the finance system that is currently used for speculation. It is this that is the risk that has to be addressed. This is what green QE does. It redirects that money to public purpose by taking money out of speculation and turning it into the

funding for actual, real, tangible capital.

And that is what will provide the hope that change can really be delivered.

Biden is a cause for hope. But he has to deliver.