

[More QE will give us stagflation](#) [1]

Written by [Eamonn Butler](#) [2] | Thursday 29 September 2011



Have you noticed how more and more economists are joining the Austrian School? Or at least accepting an Austrian explanation of why we are in such a financial hole and what to do about it?

The latest is Andrew Sentance, A very grand economist, being a former member of the Bank of England's Monetary Policy Committee. [In the Financial Times](#) [3] the other day, he was contemplating the prevailing wisdom that the Bank of England would and should stimulate the economy with a further round of Quantitative Easing (printing money to you and me).

But, he noted, previous stimulus packages in both the UK and US have not exactly had the desired effect. They have not boosted growth: rather, they have produced only increased inflation. More of the same policy, he concludes, is likely to produce more of the same ? the old stagflation we remember from the 1970s.

So what is to be done? His answer seems to be the Austrian solution of grit your teeth and let the economy sort itself out. We must expect a period of low growth while things adjust ? as the Austrians say, over-optimistic investments made in the boom years have to be liquidated and resources redirected to projects that make more more sense in more normal times. And we need to make that adjustment easier: Sentance talks about ensuring labour markets are flexible, not burdening business with excessive regulation, keeping taxes as low and as enterprise-friendly as we can. Not much sign of any of that, though.

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