

---

# WILL WE GET QUANTITATIVE EASING FOR THE BANKS OR FOR THE PEOPLE?

Jeremy Schwartz – Global Chief Investment Officer  
08/20/2019

Last week's "Behind the Markets" podcast focused on hot topics among economists with guests Samuel Rines, chief economist at Avalon Advisors, and Danielle DiMartino Booth, CEO of Quill Intelligence, an economic consulting firm that produces daily economic commentary and longer-form strategy pieces.

I attended [Camp Kotok in Maine](#) with Rines and DiMartino Booth, and many conversations there focused on how permanent the current low bond [yields](#) are and whether the answer to our economic woes will be a form of [modern monetary theory \(MMT\)](#), also affectionately known as "government spending from the magic money tree."

Rines's world view is that MMT is inevitable, and not because all economists agree this is a wonderful policy but because the outcomes of MMT are politically expedient. Rines believes the Trump wing of the Republican party can get behind MMT as well as Elizabeth Warren and her supporters in the Democratic party.

MMT means ramping up government spending, whether for eliminating student debt, putting health care for all in place or spending on science and innovation with a space trip to Mars. The early debates for the 2020 presidential election showcase this type of expansion of spending programs.

MMT starts with the premise that the treasury and central bank are a single entity that funds the government, and the government can fund various projects by setting [interest rate](#) and issuing as much debt as it can without sparking [inflation](#). If inflation rises, the government can raise taxes to curtail spending and offset it.

Many of the global central banks are likely to ramp up stimulus in the coming weeks. The latest reports from European Central Bank (ECB) officials are that this will unleash "bazooka-like" measures to surpass market expectations at the upcoming ECB meeting.

DiMartino Booth expects President Trump not just to tweet asking for further interest rate cuts from the [Federal Reserve \(Fed\)](#) but that we must also restart [quantitative easing \(QE\)](#) in the U.S. as well.

DiMartino Booth sees calls for more QE as kryptonite for the Fed, as that will be the moment when proponents of MMT will begin to say, "the Fed wants to bail out the banking industry with more QE. We don't need QE for the banks; we need QE for the people."

This was just a small sample of the great conversations we had with DiMartino Booth and Rines. To hear more about what MMT discussions are all about and how they might come to

the U.S., please listen below.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

view the online version of this article [here](#).

**IMPORTANT INFORMATION**

**U.S. investors only:** Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.  
You cannot invest directly in an index.

## DEFINITIONS

**Yield**: The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

**Modern Monetary Theory (MMT)**: a macroeconomic theory that suggests that economic cycles can be managed by largely by fiscal policy, since monetarily sovereign nations (like the U.S., Japan, Canada, etc.) can print as much money as they need to achieve their economic goals.

**Inflation**: Characterized by rising price levels.

**Federal Reserve**: The Federal Reserve System is the central banking system of the United States.

**Quantitative Easing (QE)**: A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.