

The Street

If Central Banks Print More Money, Will It Lead to Economic Prosperity?

By Emily Stewart | 11/18/15

Can central banks print prosperity?

That's a question being hotly debated by economists all over the world as central banks in Europe and Japan are attempting to do just that after years of [a similar policy in the U.S.](#)

Most Americans became familiar with this practice, quantitative easing (QE), in the wake of the 2007 financial crisis. The Fed pumped trillions of dollars into the U.S. economy in three separate phases (dubbed QE1, QE2 and QE3) from 2008 to 2014 and expanded its balance sheet by creating money to buy U.S. government debt and mortgage-backed securities.

While most agree that the U.S. narrowly avoided a second Great Depression, how that happened isn't agreed upon. In fact, whether QE works at all is an open question, one that will be debated tonight in New York.

Intelligence Squared U.S., a nonpartisan, nonprofit organization that seeks to foster constructive, reasonable analysis in public discourse through a series of Oxford-style debates, will host its latest debate Wednesday, focusing on the following motion: Can central banks print prosperity? In the words of John Donvan, Intelligence Squared U.S.'s long-time debate moderator, four "supremely qualified" debaters will argue for and against the motion: Simon Johnson a professor and MIT and former chief economist and the IMF (for); Roger Bootle, executive chairman of economic research firm Capital Economics (for); Edward Conard, a visiting scholar at the American Enterprise Institute and a former partner at Bain Capital (against); and Andrew Huszar, a senior fellow at Rutgers Business School (against).

"We've been in this world since 2008, and now, seven years have gone by, and it [QE] has come and it has sort of gone as well, although Europe is starting to play with it," said Donvan, who is also an ABC News contributing correspondent and author. "The program has been tried, it's controversial, the argument for and the argument against both have a great deal of theory behind them, but we wanted to see what the reality was. I'm hoping that's what the debate will bring out."

While the U.S. Federal Reserve ended the practice of buying billions of dollars of bonds and mortgage-backed securities in October 2014, quantitative easing is still [very much a matter at hand in Europe](#). The

European Central Bank has implemented such a policy through September 2016 and has [hinted](#) it may extend it even further in hopes of boosting the Eurozone's economic recovery. The Bank of Japan is also currently engaged in QE, and may even [explore other kinds of stimulus](#). Of course, with the economy at [lower-than-hoped-for GDP growth](#) in the U.S., it could happen here again.

"The past is prelude to the future," Donovan said, "and it may well come around again."

Intelligence Squared U.S. was founded in 2006 and since then has held debates on a wide array of topics. Most recently, it has tackled prosecutorial power, "smart drugs" on college campuses, and raising the federal gas tax to fund infrastructure.

"We try scrupulously to remain neutral on the motions that we choose," said Donovan, though he acknowledged that the debates can become heated.

He pointed to a [2012 event](#) on whether the United Nations should recognize Palestine as a full member state, which devolved into a shouting match between two debaters. "It was the one time I almost lost control," he said.

Other debates have stood out for different reasons, such as a [January discussion](#) on whether **Amazon** and the e-book are good for readers. Donovan called it "one of the most elegant, forceful, intelligent, fun, sort of counter intuitive" debates he has hosted in the Intelligence Squared U.S. series.

Intelligence Squared U.S. debates can be impactful as well, even if they have not yet spurred a direct change in policy.

Over the summer, the organization hosted a [debate on ISIS](#) in partnership with the **Aspen Strategy Group**, a bipartisan organization dedicated to foreign policy strategy. The event was attended by former Secretary of State Madeleine Albright and former CIA director and U.S. Army general David Petraeus.

"It's our sense that, when those people attend one of our debates ... it gives them a lot of food for thought and it becomes part of their conversation," Donovan said.

In each debate, the goal is to raise the level of public discourse on issues where, often, the public is divided into echo chambers.

"We want them to at least experience situations in which, by design, they are forced to listen to the other side," he said.

Debating itself has become an issue of interest among the public in recent months thanks to numerous showdowns held between presidential candidates from the [Republican](#) and [Democratic](#) parties. GOP contenders have been [harshly critical](#) of the format, especially in the wake of an October debate hosted by network CNBC.

Donvan's take on it?

"It's incredibly difficult to do a debate with 14 people on the stage. That's not a debate," he said. "The debates need real, clearer and cleaner rules of engagement that actually bring about engagement. Two things have to happen with the moderators -- they have to be given much more power to interrupt without everybody taking offense at the interruption, and at the same time, I think the moderators have to really get the idea that asking questions that are designed to embarrass the candidates, while it may be good for ratings, are just really bad for a qualitative debate."

Asking Hillary Clinton a question about her emails, or Donald Trump about his relationship to women, may be an interesting in an interview. But not in a debate. "What is then going to be the next debatable thought on either of those things?" Donovan asked.

In turn, Intelligence Squared U.S.'s disciplined, substantive approach to debating that actually leaves viewers with more real knowledge than they came with gains even greater value.

"What's my best outcome?" asked Donvan. "That people will come away from the debate feeling that they understood what happened over the last eight years, that they'll understand what this language means, that they'll understand a little bit more about how money and banking work, and that they'll understand more of whether they think what the Fed did for the last seven years was a good thing or a bad thing."

This article is commentary by an independent contributor. At the time of publication, the author held no positions in the stocks mentioned.