



demanding a change and as such politicians will be encouraged to change the balance between fiscal and monetary policy to ensure that they are listening to the most impassioned voters. Extreme monetary policy has distributed the spoils to capital rather than labour. More aggressive fiscal policy would help address the balance and direct money into the real economy and thus be more inflationary. Finally in 2016, extreme monetary policy reached a point where there was an element where it was doing more harm than good. The best example was in Europe where negative deposit rates and negative government bond yields were at risk of destroying the plumbing of the financial system. Banks' business model was at risk (especially in Europe) and thus their ability to lend in the real economy. We think central bankers have realised this and part of the reason they are now moving away from the most extreme monetary policies is a late realisation that some rates and yield normalization could actually be a positive for growth. 12-18 months ago they seemed convinced that there was no lower bound to rates. They now seem to be more aware of the dangers of such negative rate and yield policies.