

Lavoie, Marc

Article

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Editorial to the special forum on unconventional monetary policy

Marc Lavoie

University of Paris 13 (CEPN), France and University of Ottawa, Canada

In October 2017, at the annual conference of the European Association of Evolutionary Political Economy (EAEPE) organized at Corvinus University of Budapest, Mattia Guerini, Francesco Lamperti and Andrea Mazzocchetti chaired a round table on 'Unconventional monetary policy and credit markets'. The round table was sponsored by the H2020 DOLFINS project on 'Unconventional monetary policies and credit markets: insights from complex systems'. The speakers at the round table were Stefano Battiston, Mauro Napoletano, Andrea Roventini and Marc Lavoie. This special forum of four short papers is a follow-up to the discussions that arose from the questions put by the chair triumvirat to the four speakers.

The first paper, by Mattia Guerini, Francesco Lamperti and Andrea Mazzocchetti, recalls the various quantitative easing (QE) programs that have been put in place since 2008. The three authors discuss whether they have been successful and they look at their implications for inflation-targeting regimes and central-bank independence. They reflect on how monetary policy will look in the future and whether interest rates will ever recover to their previous levels. They conclude with the belief that more coordination between monetary and fiscal policies is needed, and by arguing that unconventional policies are here to stay.

The second paper, written by Jean-Luc Gaffard, Mauro Napoletano and Stefano Battiston, tries to answer some of the questions found in the first paper. The authors compare the monetary policy consensus that existed before the crisis, based on the optimality of flexible markets, with an alternative disequilibrium view where price rigidities may help coordination. They discuss the drawbacks of monetary and fiscal rules. And they also argue that the so-called unconventional policies are likely to be utilized again in the future, despite their apparent weak impact on the real economy.

The third paper, by Marc Lavoie and Brett Fiebiger, starts by examining the two broad transmission mechanisms that have been associated with quantitative easing, one based on the money multiplier and the fractional-reserve banking system while the other is based on decreases in interest rates. With the help of simple balance sheets, the two authors examine the likely effects of the various incarnations of quantitative easing: QE with banks and with non-banks, QE for the people, Corbyn's people's QE and green QE. They also conclude that their likely impact on the real economy is weak.

Finally, in the fourth paper, Marcello Minenna, Giovanni Dosi and Andrea Roventini examine the consequences of the quantitative easing policy pursued by the European Central Bank (ECB) on the TARGET2 balances of Italy, Spain and Germany. The ECB argues that the enormous positive increases in the TARGET2 balance of Germany and the huge increases in the negative TARGET2 balances of Italy and Spain are a mechanistic effect of its QE policy. The three authors believe otherwise and endeavour to show, by a decomposition of these balances, that there are other significant factors at work.