



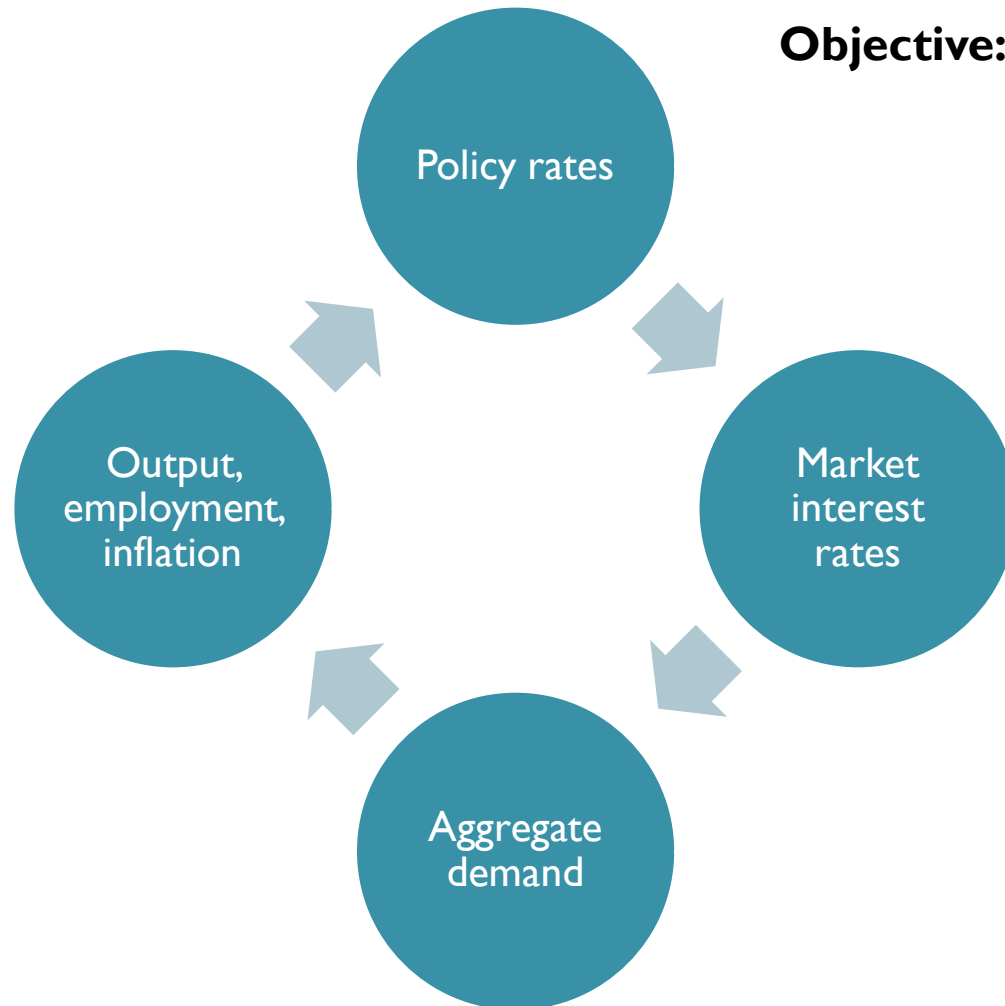
Monetary Perspectives on the Financial Crisis

Jordi Galí
CREI, UPF and Barcelona GSE

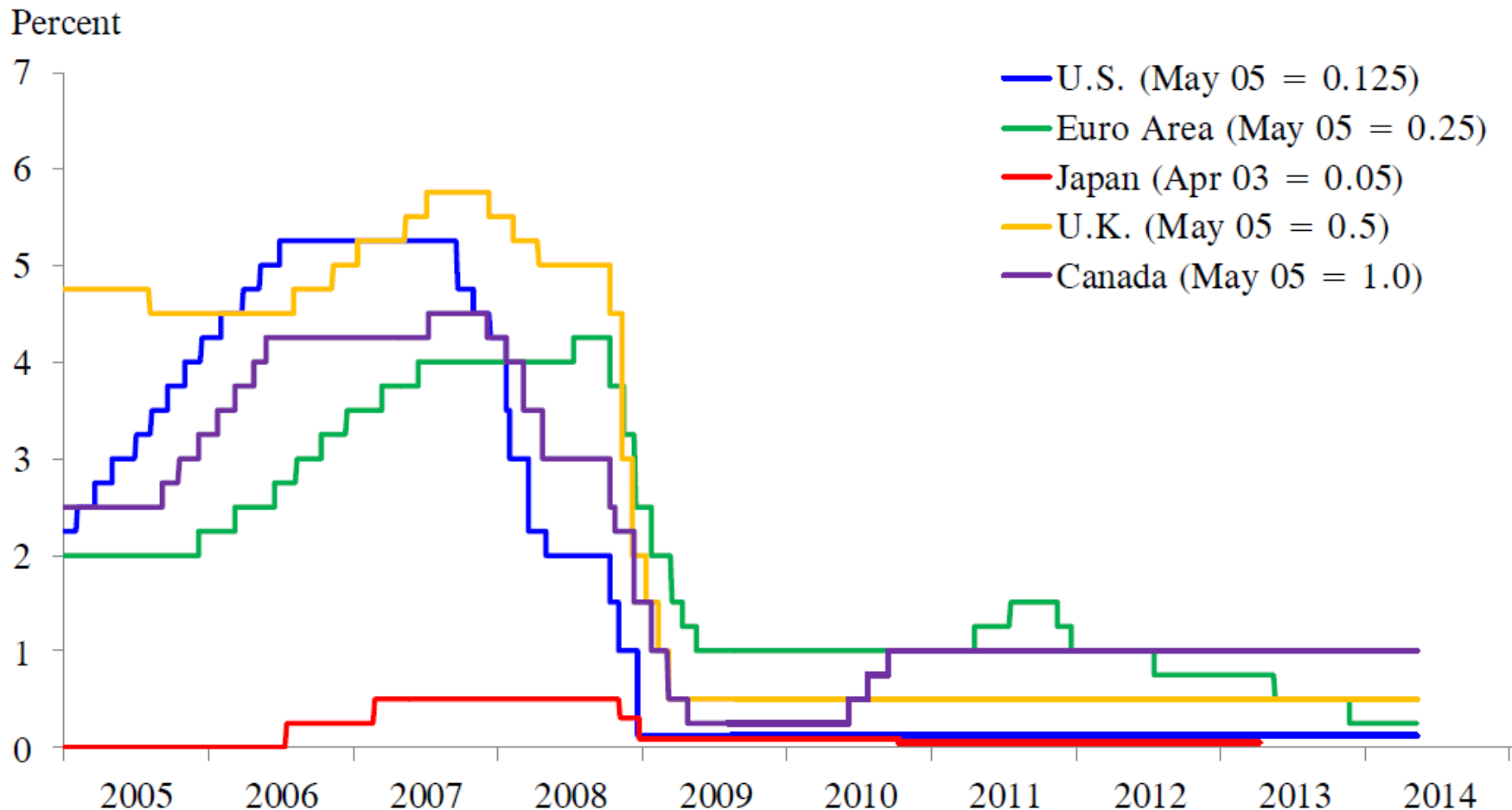
June 2014

Monetary Policy in “Normal Times”

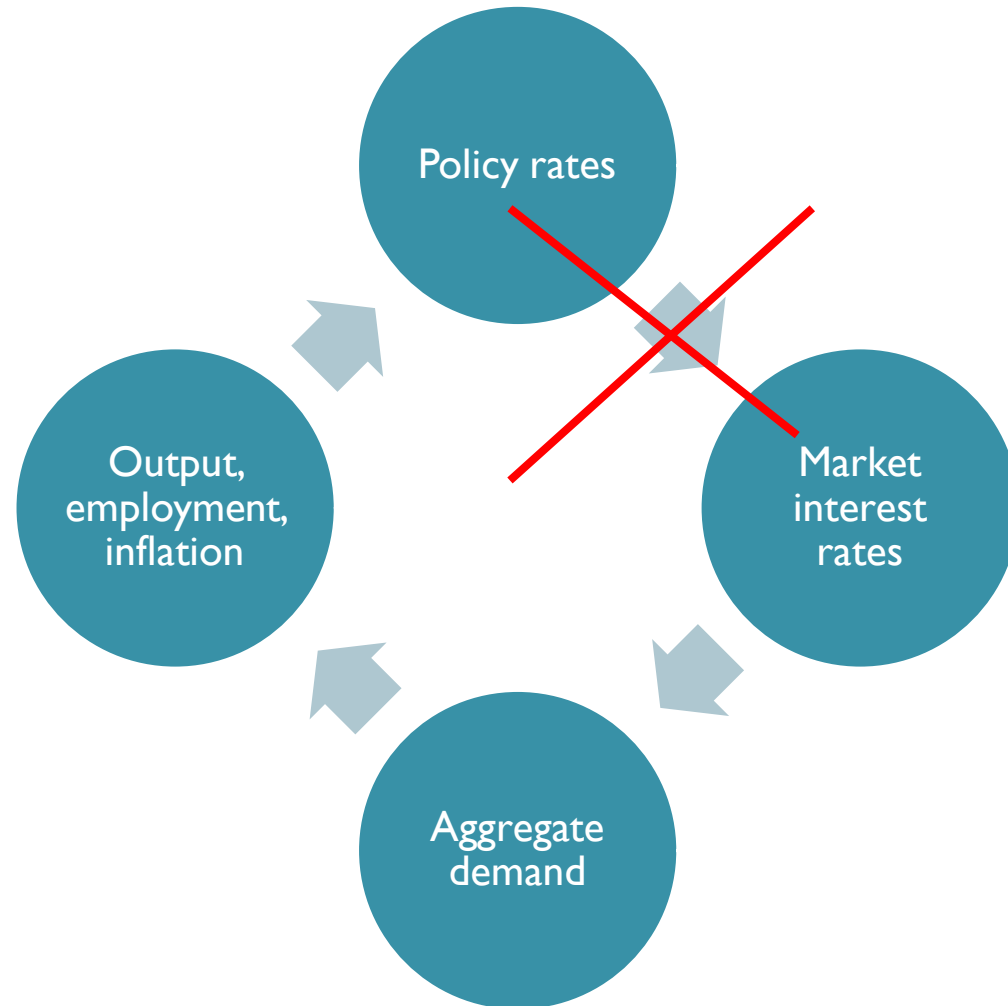
Objective: Price stability



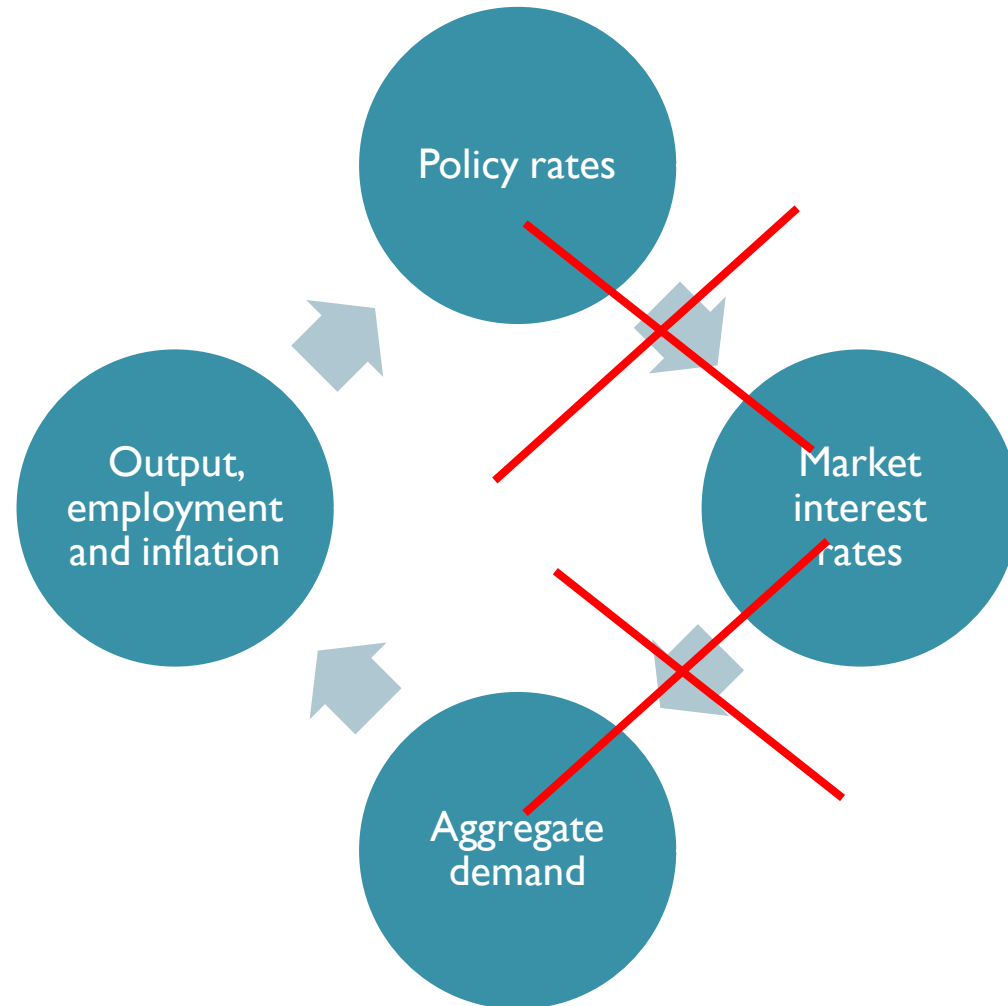
Central Banks' Response to the Crisis: Policy Rates



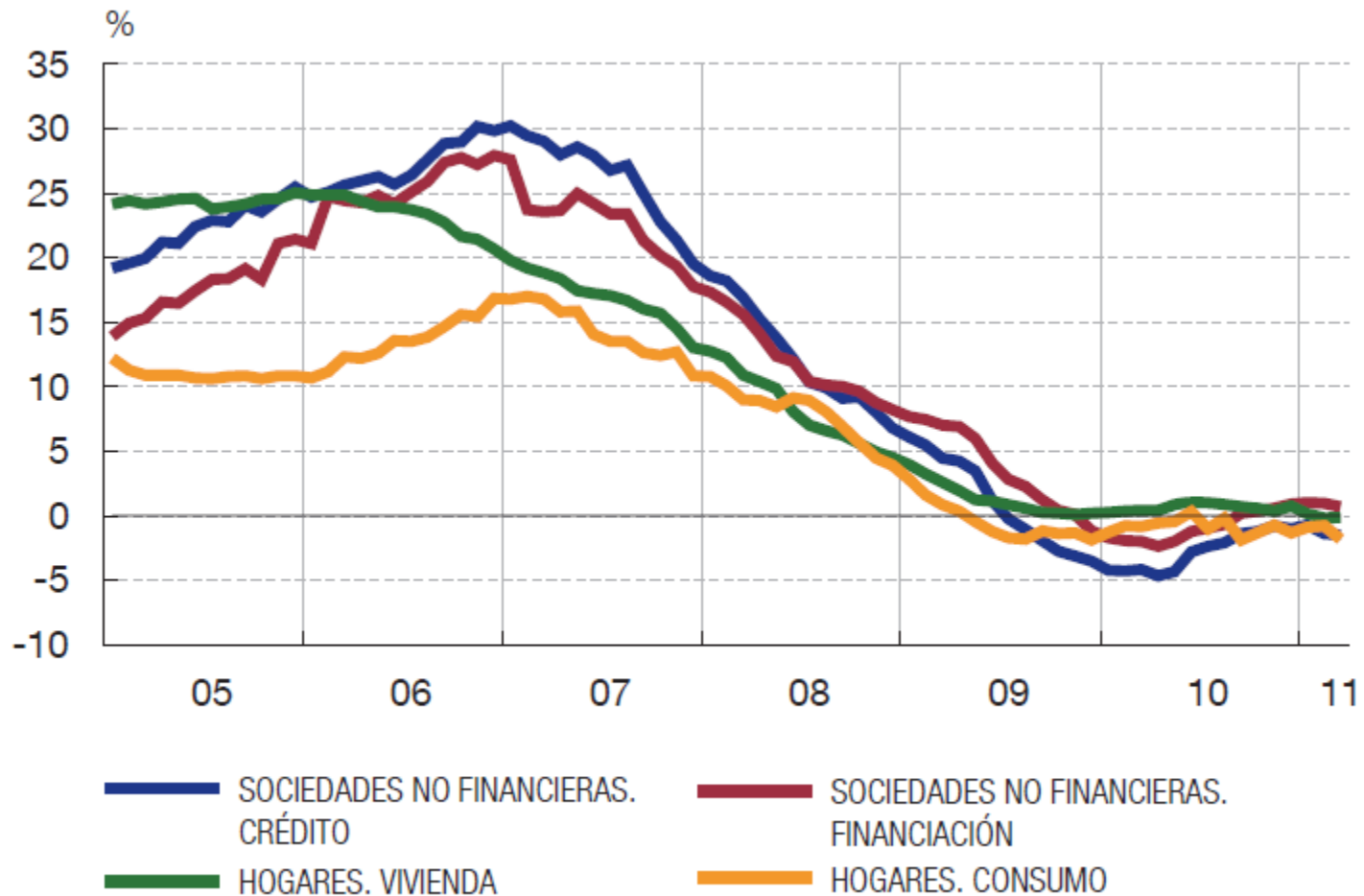
Monetary Policy during the Financial Crisis



Monetary Policy during the Financial Crisis

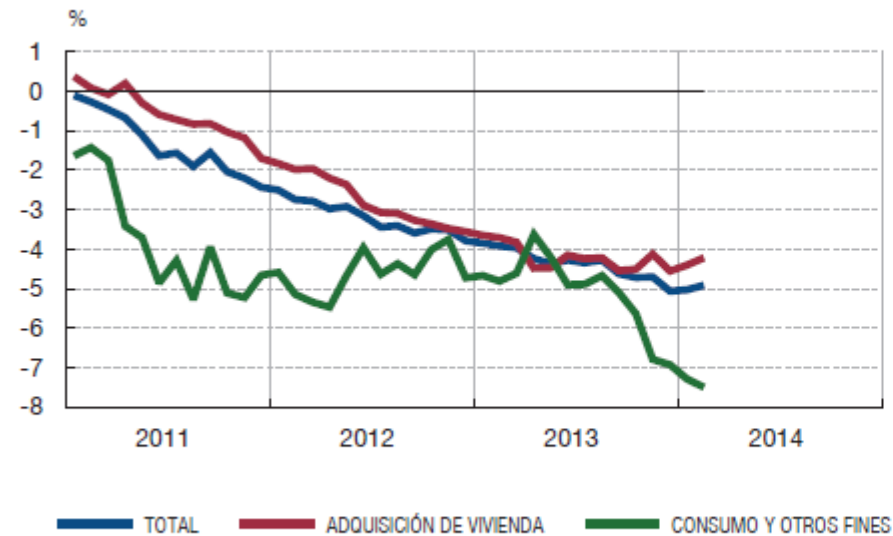


Bank Loans Growth Rate: Spain, 2005-2010

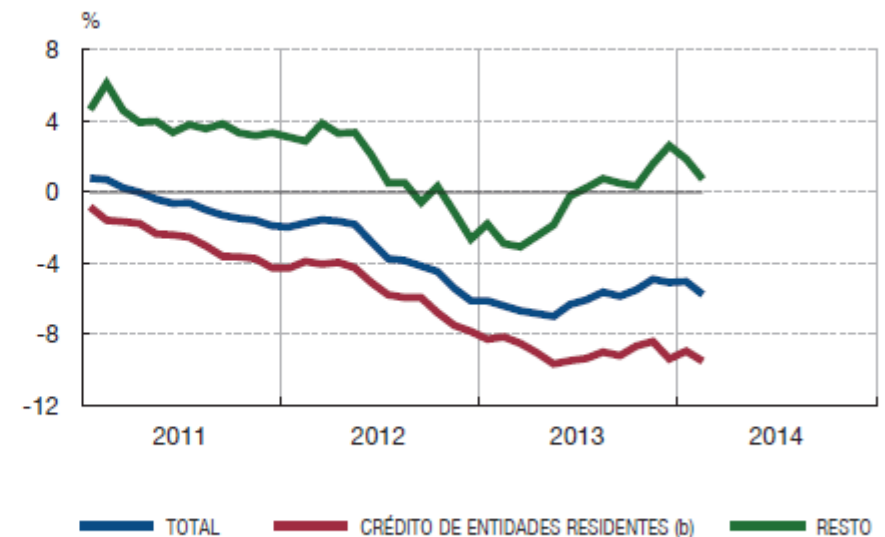


Bank Loans Growth Rate: Spain, 2011-2014

CRÉDITO A HOGARES. TASAS INTERANUALES



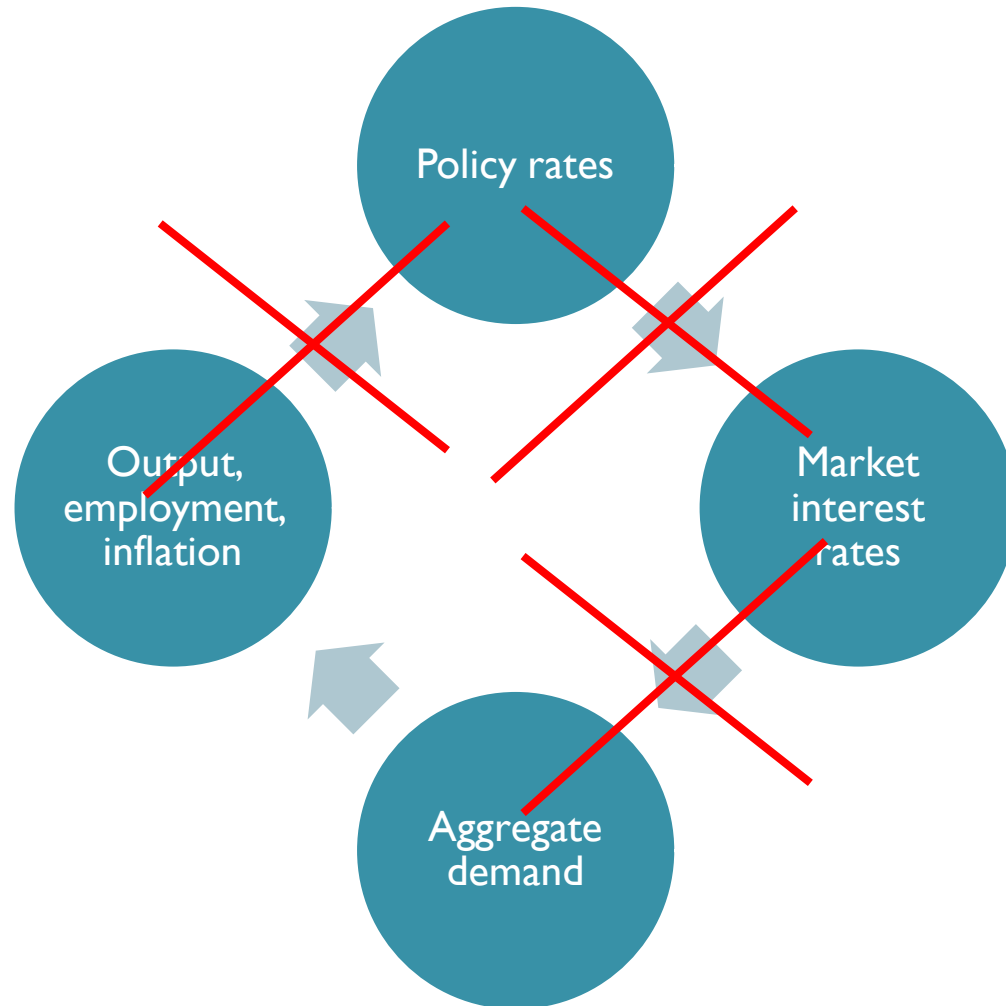
FINANCIACIÓN A SOCIEDADES. TASAS INTERANUALES



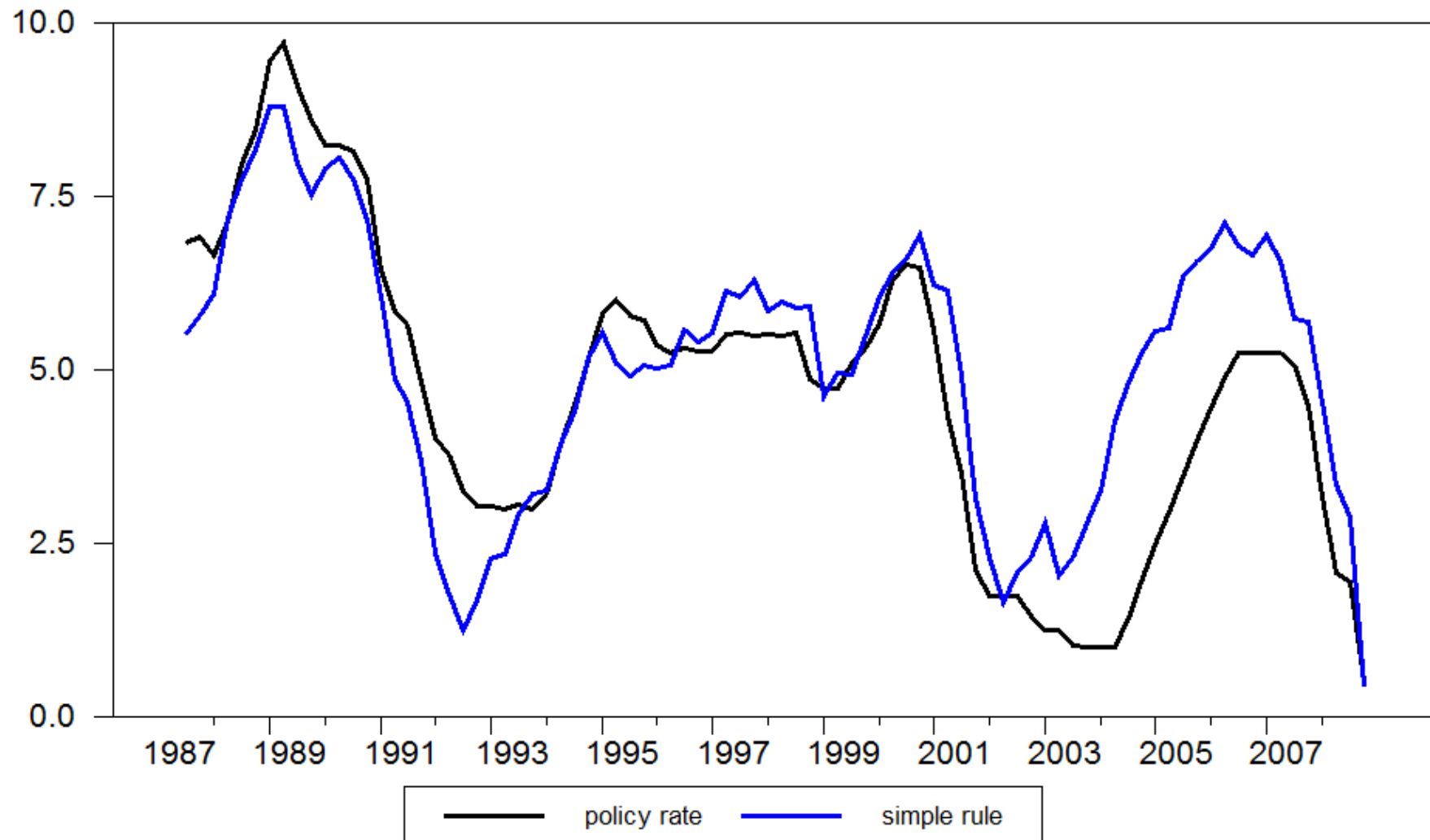
FUENTE: Banco de España.

Font: Banco de España, Informe Mensual

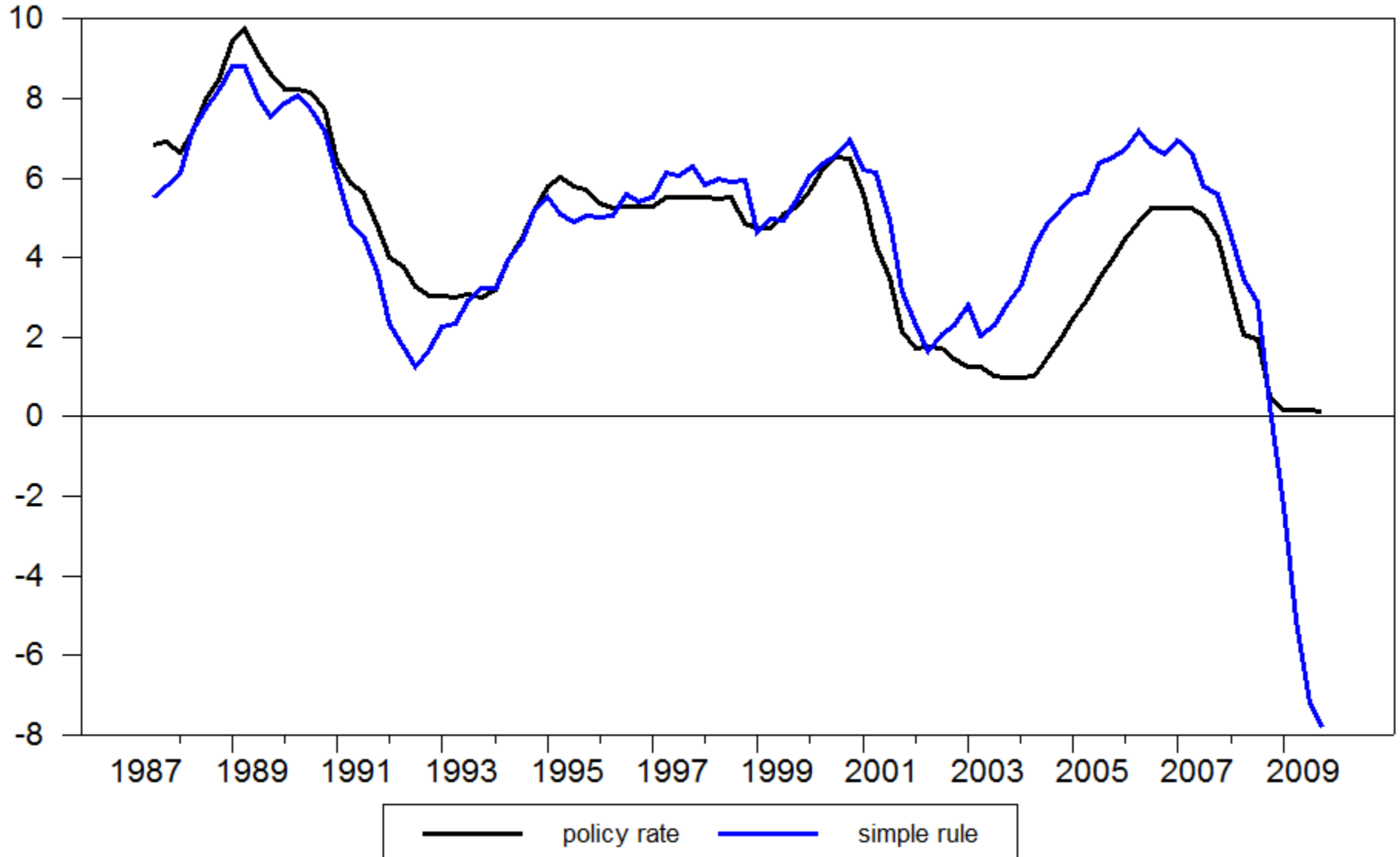
Monetary Policy during the Financial Crisis



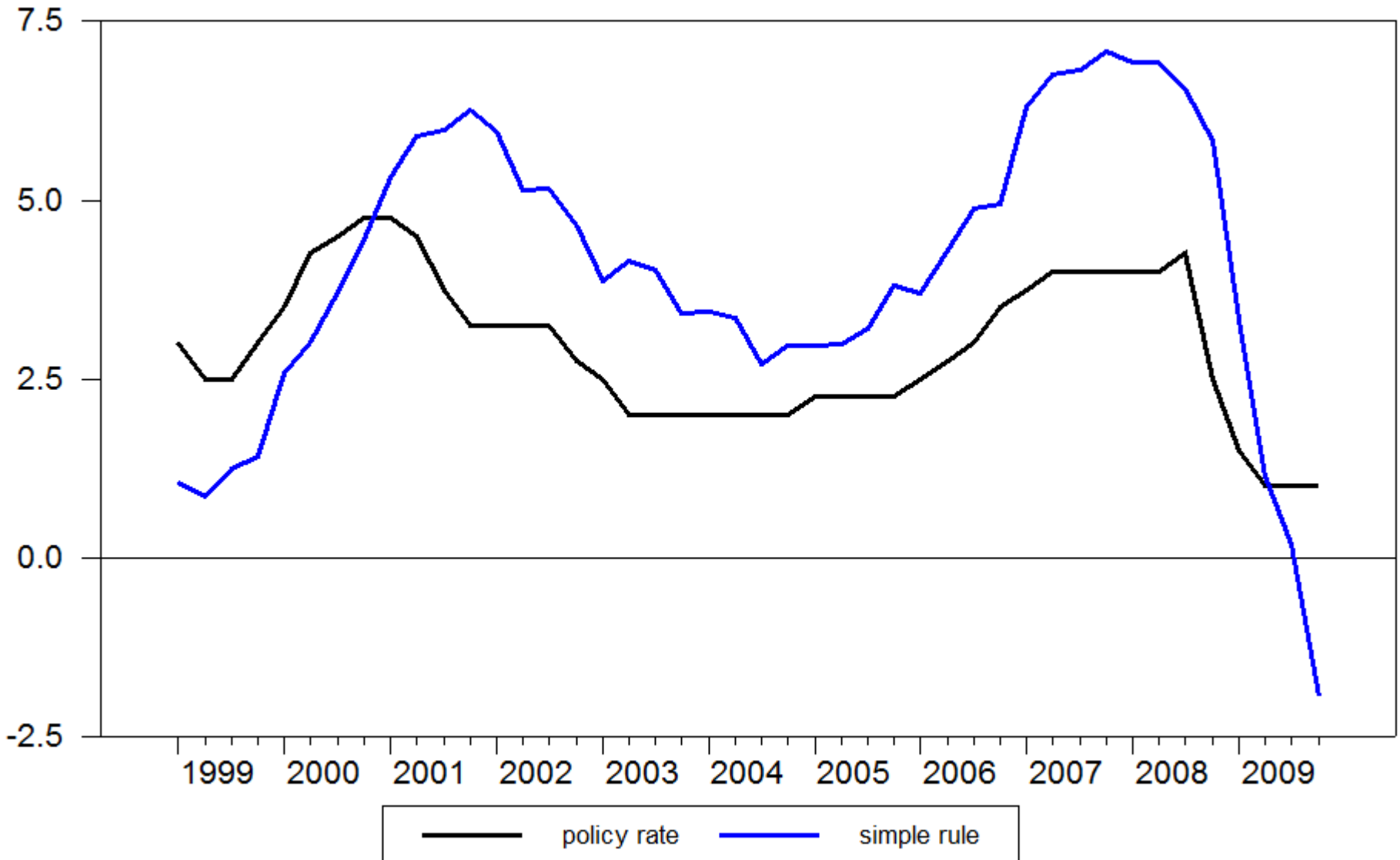
Monetary Policy under Greenspan and Bernanke: Pre-Crisis



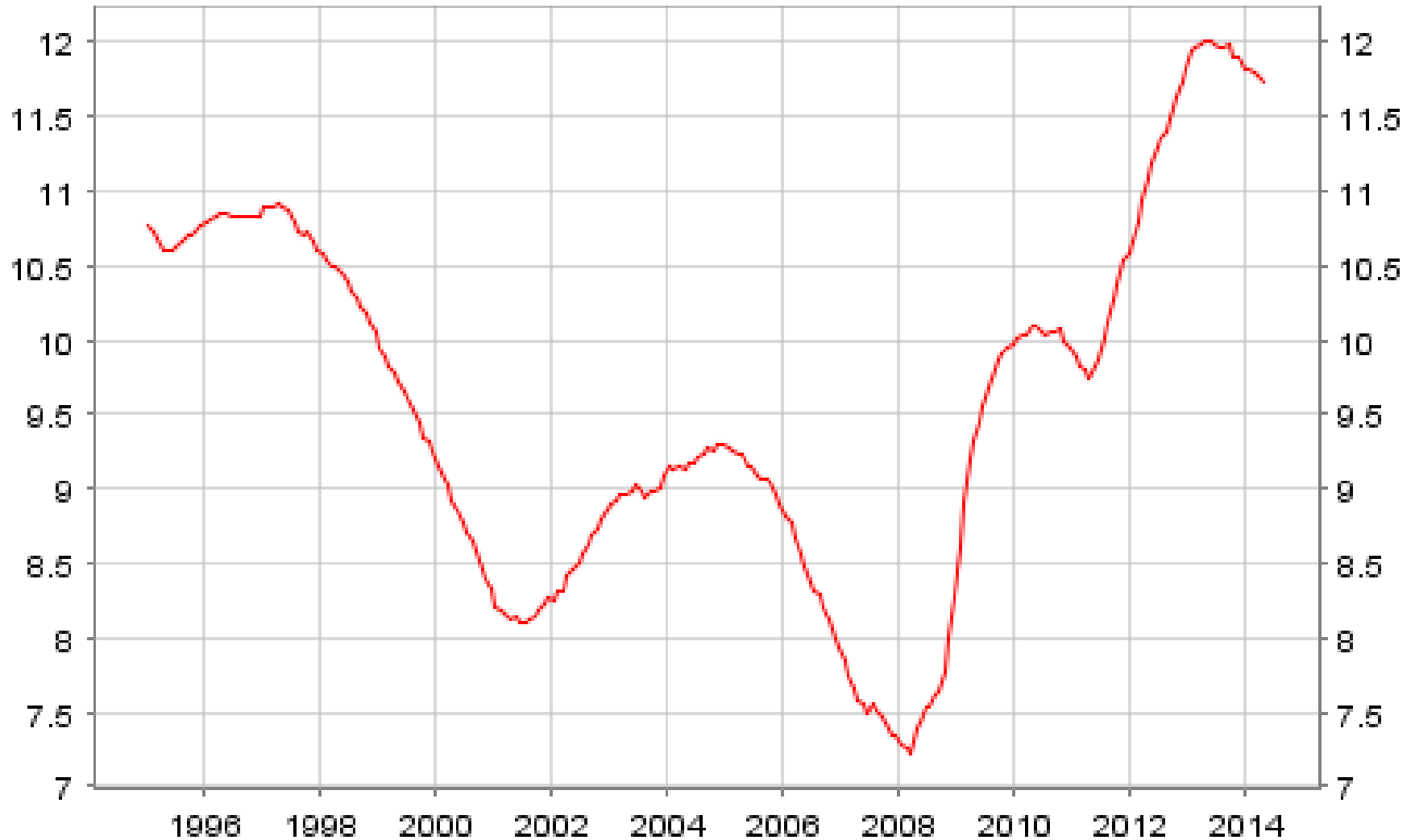
Monetary Policy under Greenspan and Bernanke



Monetary Policy in the Euro Area



Slow Recovery: Euro Unemployment Rate



Slow Recovery: U.S. Employment Ratio

FRED 

— Civilian Employment-Population Ratio



Source: U.S. Department of Labor: Bureau of Labor Statistics

Shaded areas indicate US recessions - 2014 research.stlouisfed.org

Slow Recovery: What to do?

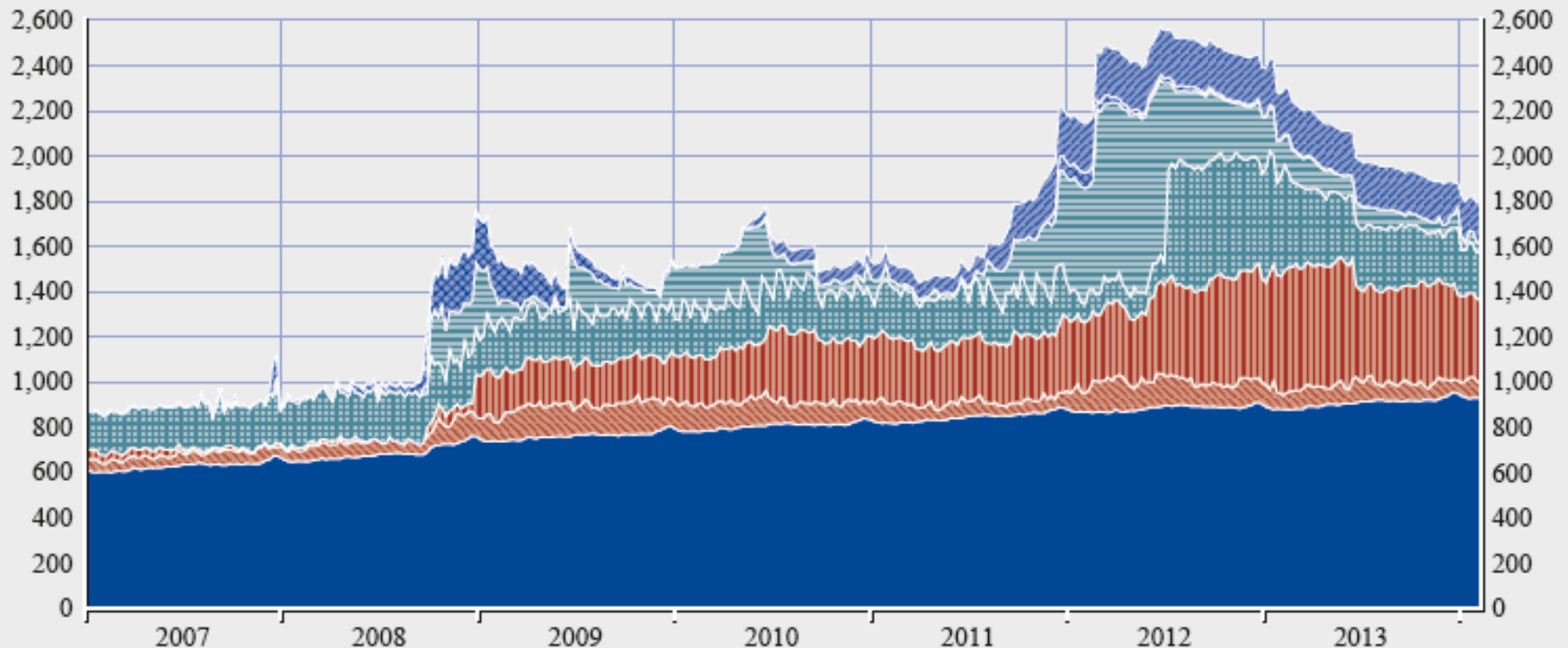
- Unconventional Monetary Policy?
 - ECB: LTRO, TLTRO
 - FED: QE, forward guidance

ECB Balance Sheet: Liabilities

Chart B Simplified Eurosystem balance sheet: liabilities

(EUR billions)

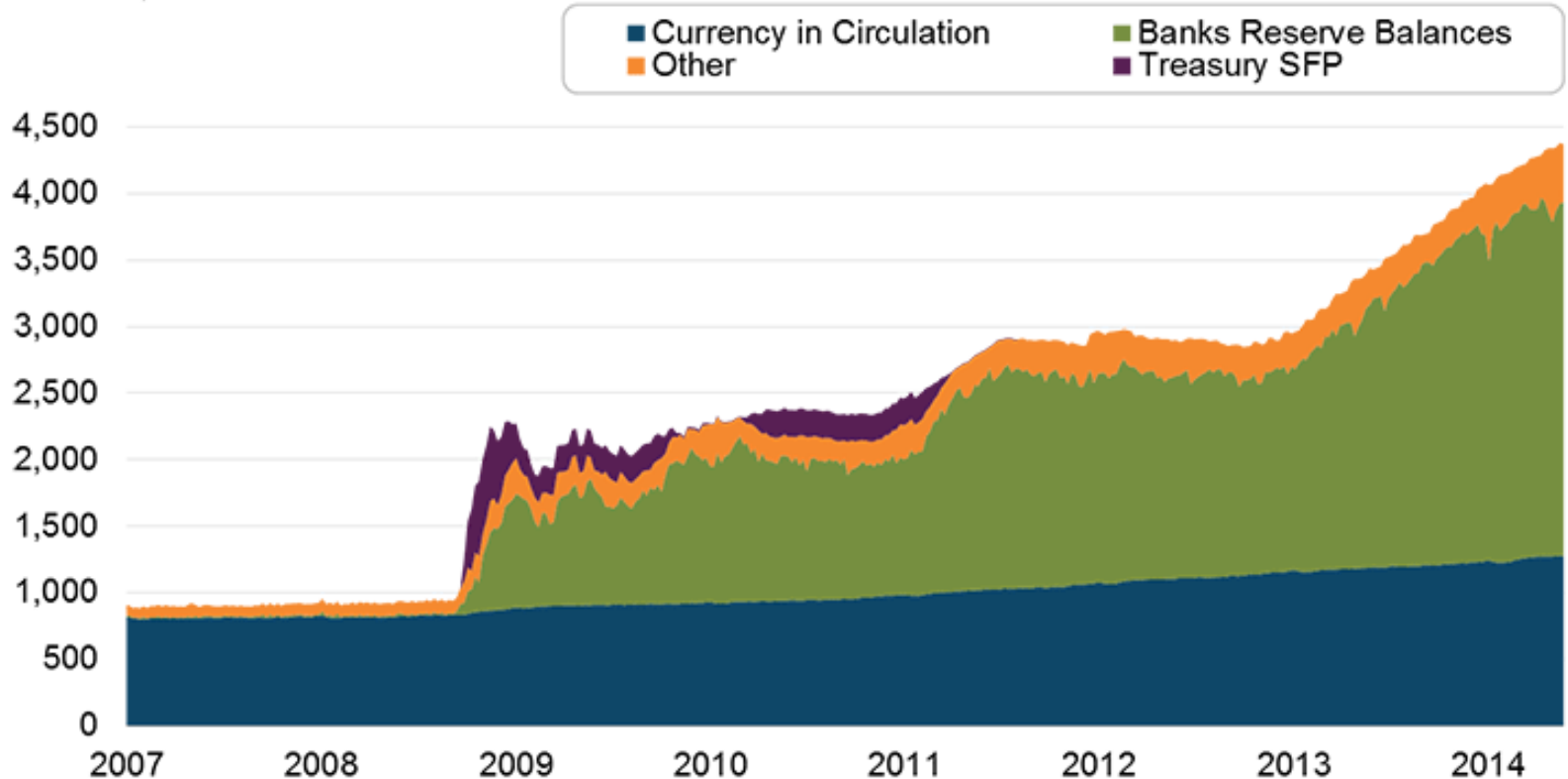
- banknotes
- other autonomous factors
- deposit facility
- liquidity-absorbing fine-tuning operations
- government deposits
- current accounts
- claims of foreign central banks



Fed Balance Sheet: Liabilities

Federal Reserve Liabilities (Sources of Funds)

\$ billions



Source: Federal Reserve Board of Governors; Table 1: Factors Affecting Balances of Depository Institutions of the H.4.1 release.

through May 21, 2014

Note: "Other" = Other liabilities & capital, REPOs, Treasury cash holdings, and deposits with Federal Reserve Banks.

Slow Recovery: What to do?

- Unconventional Monetary Policy?
 - ECB: LTRO, TLTRO
 - FED: QE, forward guidance
 - limited effectiveness
- Labor cost reductions (wages, payroll taxes,...)?
- Fiscal expansion?
 - Debt and taxes already too high

Slow Recovery: What to do?

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 - Debt and taxes already too high
 - Alternative: money-financed public investment