

A photograph of a conference room with large windows. In the foreground, a man in a dark suit is seated at a long table, looking towards the right. Another man in a dark suit is seated next to him, also looking right. In the background, a man in a light-colored shirt and dark pants is performing a handstand on the table. Several people are standing around the table, some holding cameras. The room has large windows and a modern design.

Where does the money go? Monetary policy, central banks and... ideology

Jens van 't Klooster (KU Leuven and University of Amsterdam)

Talk

- What is monetary policy?
- What happened after 2008?
- What is the alternative?

Big question: Where does the money go?

What is monetary policy?

A woman in a light-colored top and dark pants is captured mid-air, jumping over a long, dark table. The table has a nameplate that reads "Vitor Constâncio". Several men in suits are seated at the table, looking towards the woman. One man is clapping. In the background, there are large windows and a blue wall. A man with a camera is visible on the right side of the frame. The scene appears to be a press conference or a public event.

What is money?

1. Money as a unit of account (€, \$ etc)
2. Money as a means of payment
 - Public money (Cash, central bank deposits)
 - Private credit money (Bank deposits, etc)



Public or private?

Private credit money

Circulated by banks guided by profit motive



Public money

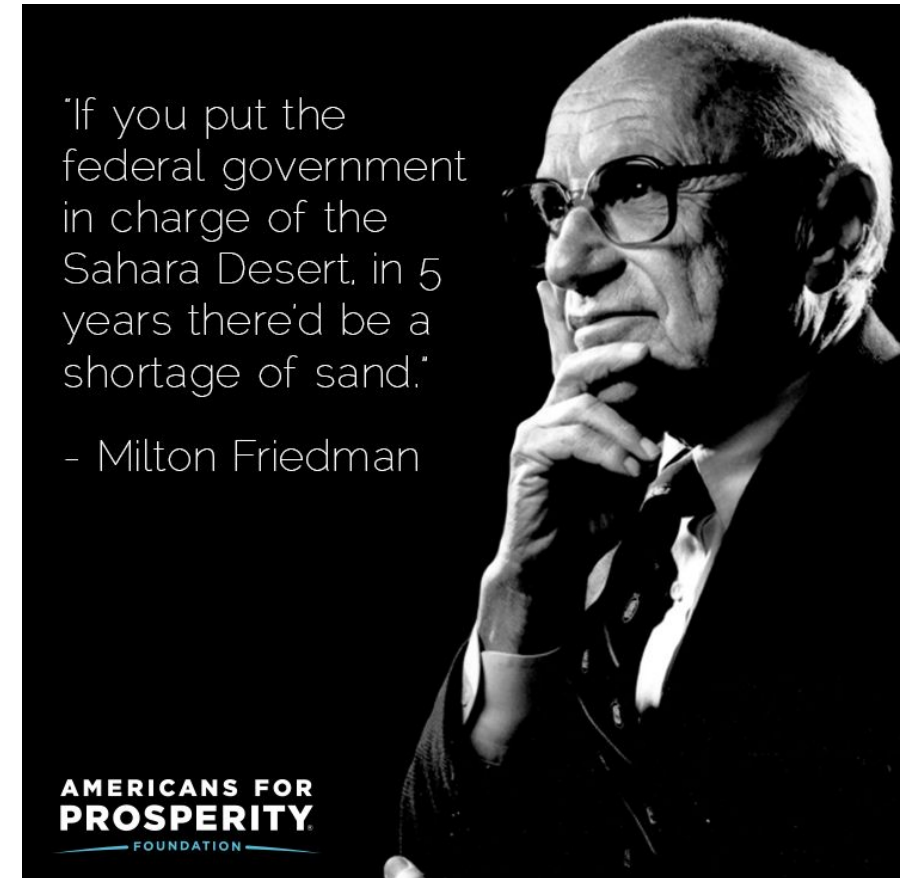
Circulated by central banks as a part of economic policy -> public control



Monetary policy since the 1980s

Independent central bank

- 1 Goal: Price stability
- 1 Instrument: Interest rate to steer volume of private credit money
- Transmission via banks



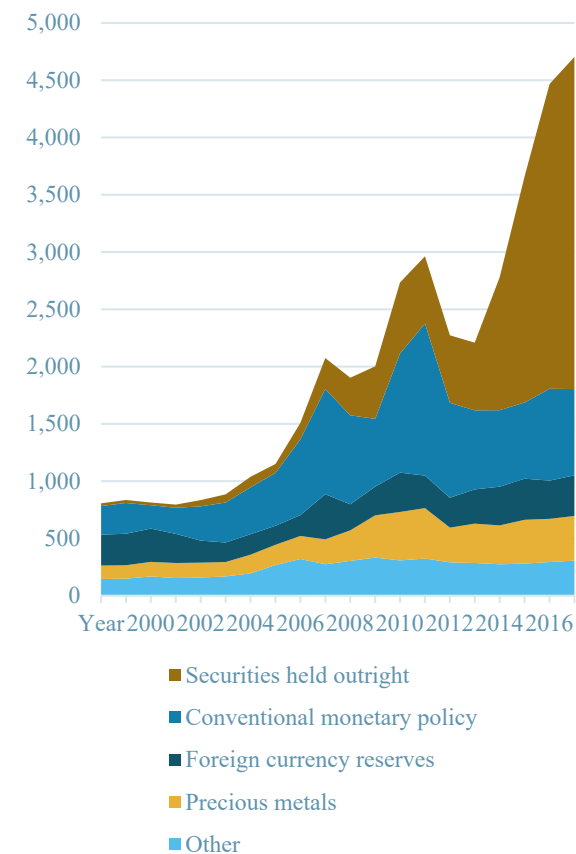
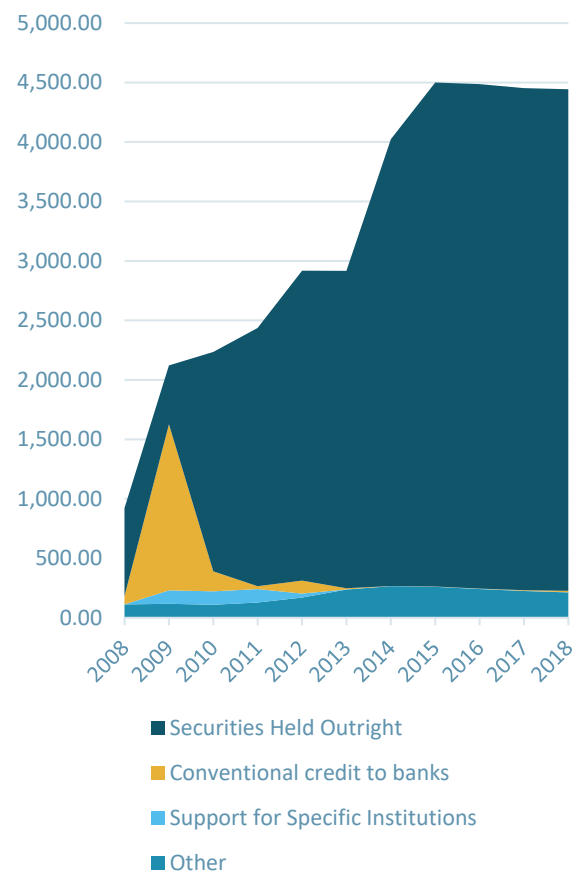
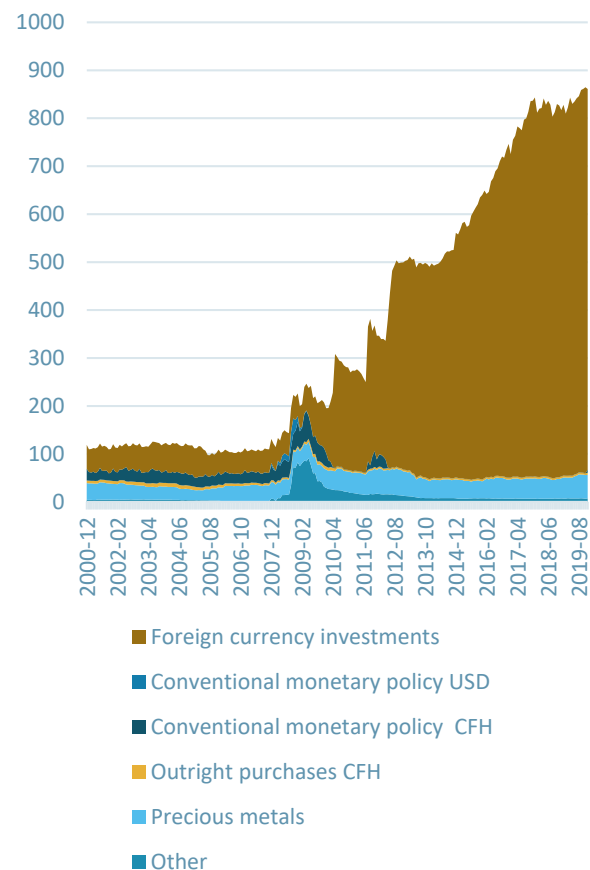
Where does the money go?



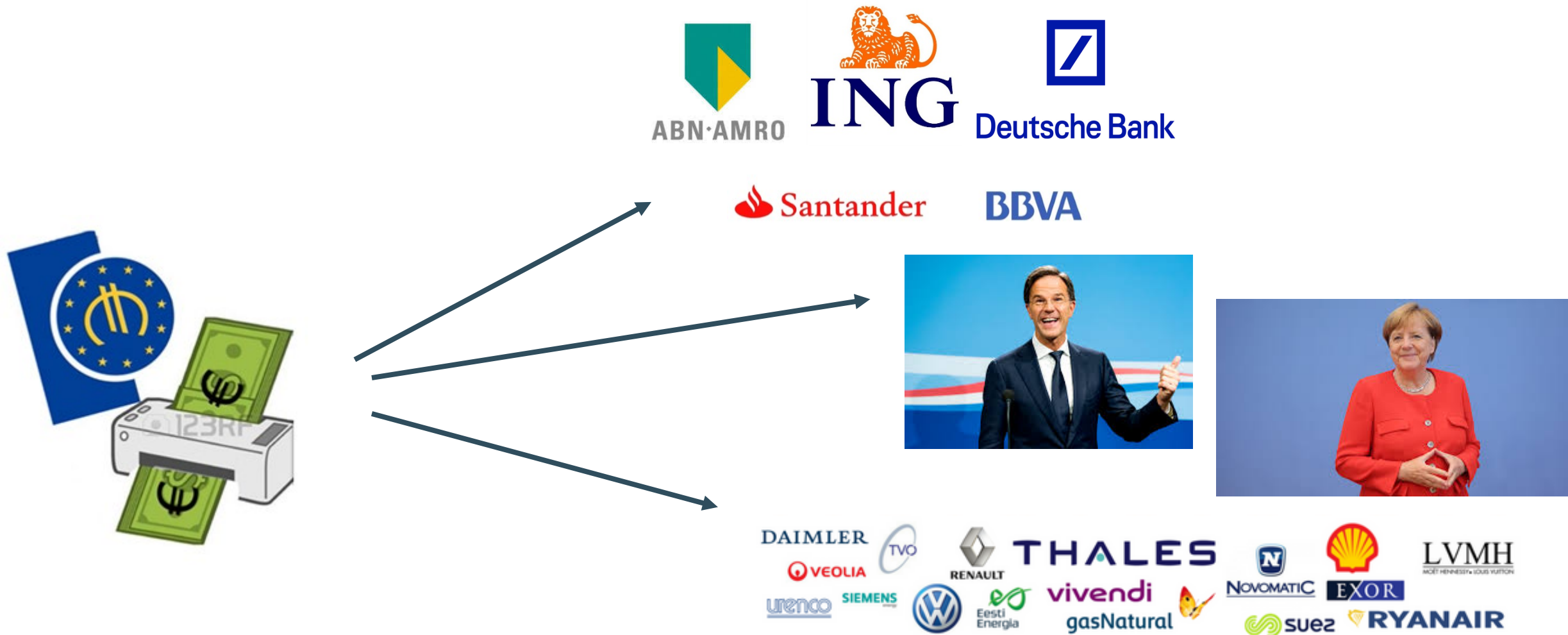
Monetary policy after 2008



Exploding central bank balance sheets



Where does the money go?



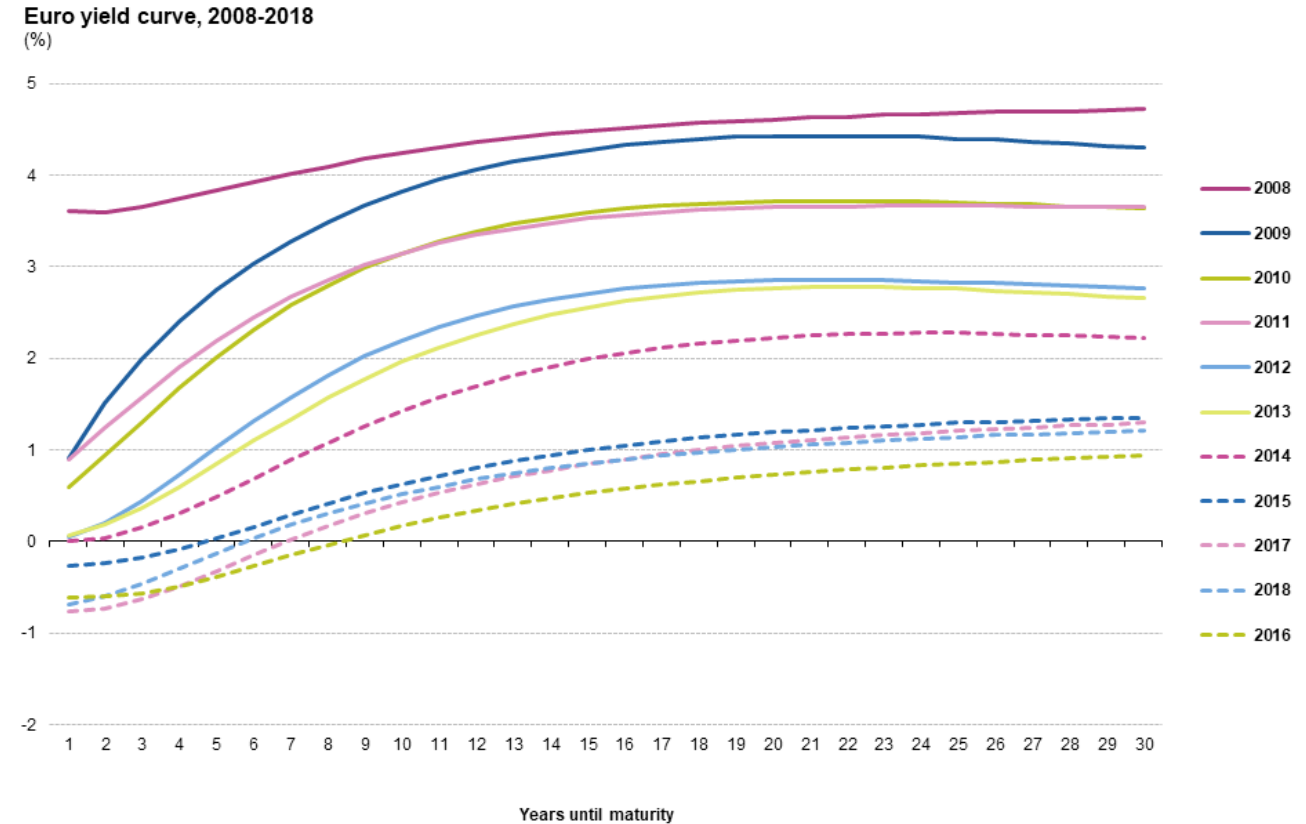
Unconventional monetary policy

Purchasing securities from

- Firms
- Governments
- Etc

Objectives

- Price stability
- Supporting specific markets
- Supporting government finance
- Profit



Note: zero-coupon yield curve spot rate for AAA rated euro area central government bonds. 2008: EA-15. 2009-2010: EA-16. 2011-2013: EA-17. 2014: EA-18. 2015-2018: EA-19.

Source: Eurostat (online data code: irt_euryld_a), ECB

Market neutrality

Central banks follow rather than shape the market

For example, they

- Buy from a whole index (S&P 500; Nikkei 225)
- Buy all corporate bonds in the market
- Government bond purchases in accordance with strict ECB capital key



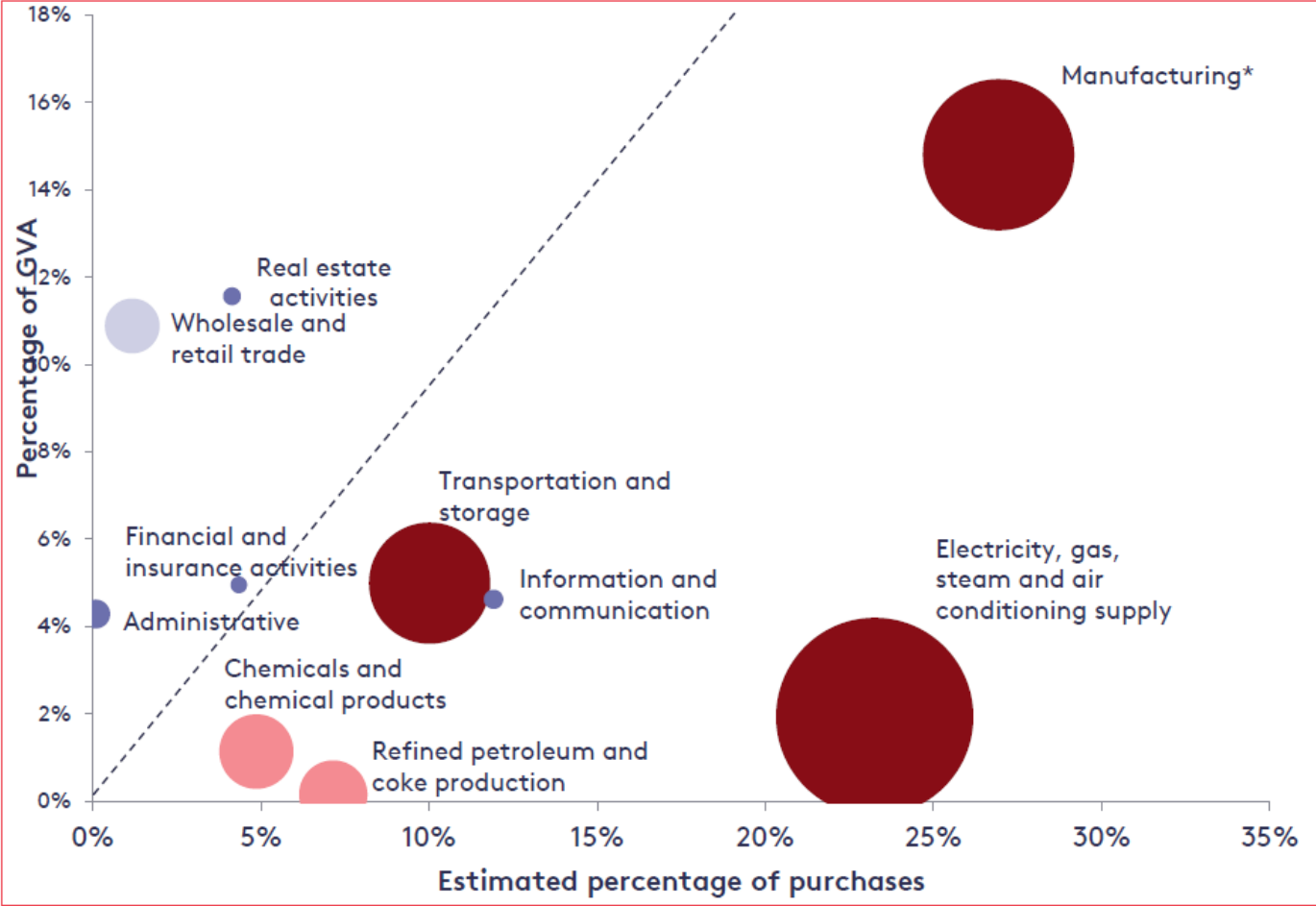
New Political Economy

ISSN: 1356-3467 (Print) 1469-9923 (Online) Journal homepage: <https://www.tandfonline.com/loi/cnpe20>

The Myth of Market Neutrality: A Comparative Study of the European Central Bank's and the Swiss National Bank's Corporate Security Purchases

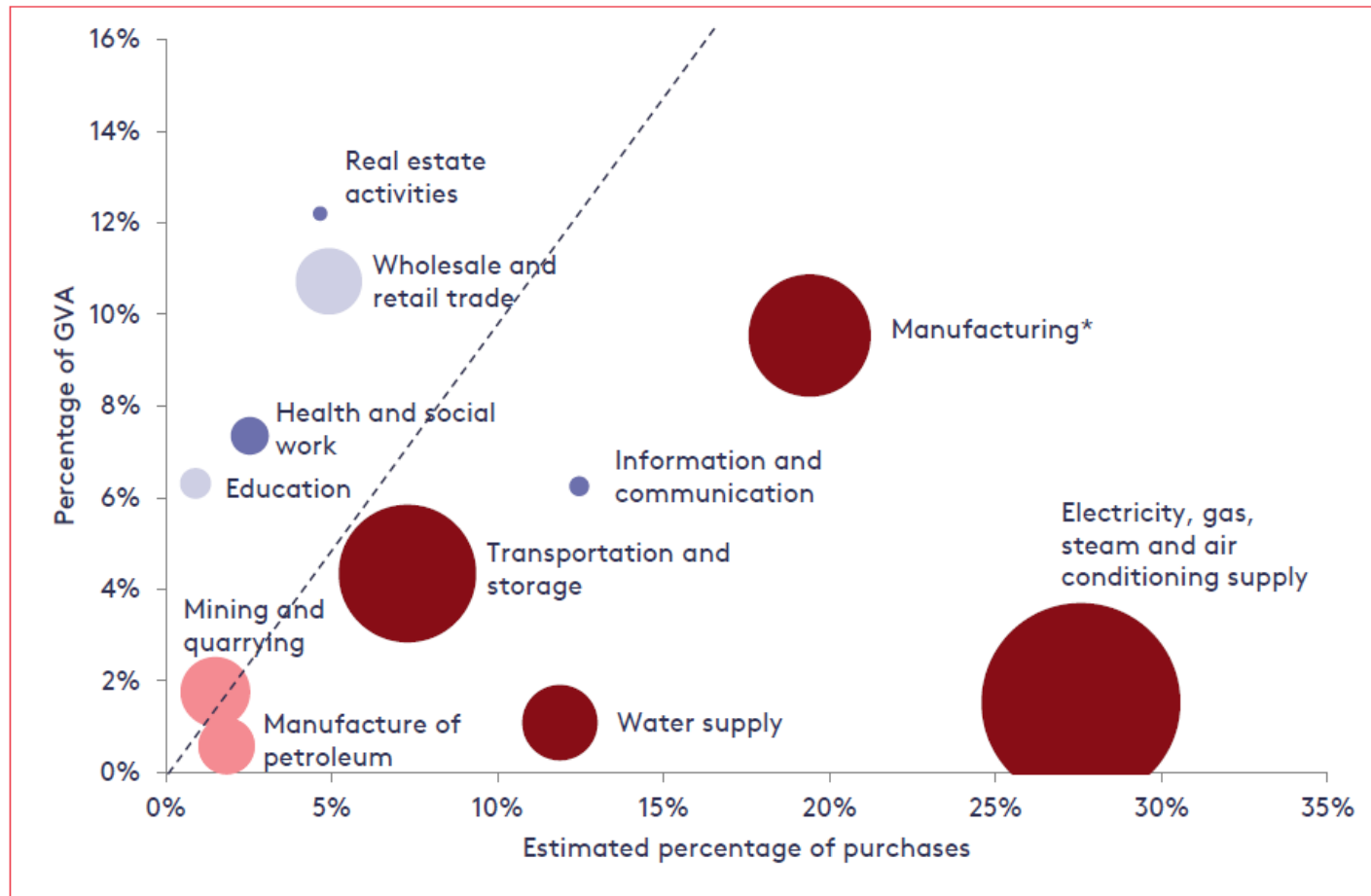
Jens van 't Klooster & Clément Fontan

ECB CSPP programme



(Matikainen, Campiglio and Zenghelis 2017)

Bank of England Corporate Bond Purchases



(Matikainen, Campiglio and Zenghelis 2017)

Pandemic Emergency Purchase Programme

ECB announces that it will revise “self-imposed limits” if they “hamper action that the ECB is required to take in order to fulfil its mandate”



European Central Bank ✓
@ecb

Press release: ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP)



ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP)
[ecb.europa.eu](https://www.ecb.europa.eu)

11:53 PM · Mar 18, 2020 · [Twitter for iPhone](#)



Greta Thunberg ✓ @GretaThunberg · Jun 3

The last 2 months the European Central Bank has injected 7,6 billion € into fossil fuels.

Allow me to doubt the seriousness of the EUs' so called "green" recovery plan...

A woman in a light-colored top and dark pants is captured mid-air, jumping over a long conference table. Numerous white papers are suspended in the air around her, creating a sense of motion. On the left, two men in suits are seated at the table; one is looking towards the woman, and the other is clapping. On the right, a man is holding a camera, filming the scene. The setting is a modern room with large glass windows and a slanted ceiling. The text "And now?" is overlaid in the center.

And now?

Vitor Constâncio

Democratising central banks

Today:

- Independence
- Limited coordination with governments

Future:

- Democratic central banking



NOOOOOOOOOO!!!!!! YOU CANT
ARTIFICIALLY INFLATE THE ECONOMY BY
CREATING MONEY TO FIGHT AN
ECONOMIC DOWNTURN!!! YOU ARE
DISTORTING THE NATURAL RATE OF
INTERESTERINO NOOOOOOOOOOOO

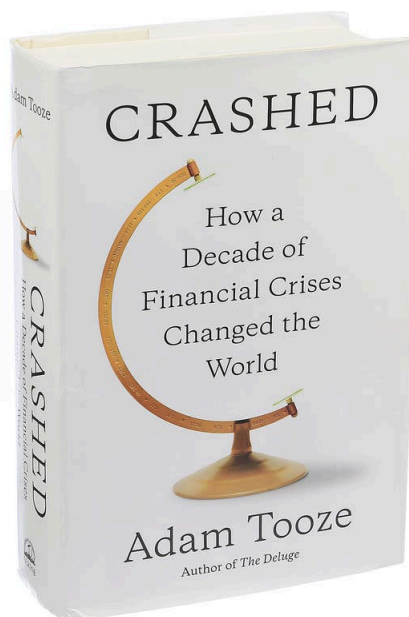


More

Dietsch
Claveau
Fontan
**Do central
banks serve
the people?**

Enlarging the ECB mandate for the common good and the planet

by Benjamin Braun, Daniela Gabor and Benjamin Lemoine on 8th June 2020 [@BJMbraun](#)



New Political Economy

ISSN: 1356-3467 (Print) 1469-9923 (Online) journal homepage: <https://www.tandfonline.com/loi/cnpe20>

The Myth of Market Neutrality: A Comparative Study of the European Central Bank's and the Swiss National Bank's Corporate Security Purchases

Jens van 't Klooster & Clément Fontan