



**BANK OF ENGLAND**

# News release

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## **Getting Credit Flowing: A Non-Monetarist Approach to Quantitative Easing - Speech by Adam Posen**

In his first speech as an external member of the Bank of England Monetary Policy Committee, Adam Posen discusses some of the issues arising from the introduction of quantitative easing (QE) this year.

Speaking at Cass Business School, London, Dr Posen argues that the impact of unconventional monetary policy on the economy is likely to be positive even though it is not possible to be precise about the size or timing of its impact. He says there is no evidence to support the conclusion that quantitative easing will lead to unacceptably high inflation.

Dr Posen argues that policy should be thought about in terms of its impact on specific credit markets as well as the overall sums spent. A key concern highlighted is the ability of the financial sector to support recovery. He says, ".the relative limits in the UK on availability of non-bank financing for smaller companies may constrain emergence of a sustainable private-sector led recovery".

He discusses how the structure of the UK financial system provides few alternative means of financing for businesses when the major banks are troubled. This, he says, is a disturbing parallel to Japan in the 1990s. Those parallels should not be exaggerated but neither overlooked. He argues that restructuring the UK financial system to provide more banking competition and more access to non-bank financing is in the interests of economic recovery as well as of financial stability. Dr Posen restates his view that ".the banking system must be largely fixed before the macroeconomic stimulus is needed to be withdrawn."

<http://www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2009/speech408.pdf>