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Global aspects of unconventional monetary policies – panel remarks by Charlie Bean

In remarks delivered at the Jackson Hole Economic Policy Symposium, Charlie Bean – Deputy Governor for Monetary Policy – reviews the domestic and international consequences of the unconventional monetary policies adopted by central banks since the start of the financial crisis.

In terms of domestic costs and benefits, Charlie Bean provides his view of the optimal response in the post-crisis environment: "A 'two-handed' approach is called for, in which supportive aggregate demand policies…are complemented by policies that facilitate the necessary restructuring, particularly of the banking sector…So rigorous evaluation of the assets on banks' balance sheets, followed by recapitalisation, should be the order of the day." Charlie Bean acknowledges the risks of pursuing such accommodative monetary policies, and notes that it can buy time, "…but it is a policy best suited to filling in a temporary hiatus in demand, not a long-lived shortfall: it is a bridge, not a pier."

Turning to the international consequences of unconventional monetary policies, Charlie Bean reviews the channels of propagation and notes that spillovers from these policies are diverse in nature and ambiguous in overall sign. Charlie pushes back on suggestions that monetary policies need to internalise these spillovers and be better co-ordinated: "While I can accept the logic of this, I am afraid I do not think we know nearly enough about the magnitude – or even sign – of these spillovers to make this a viable option. The best we can probably aspire to is directing monetary policies to achieving domestic price stability in a sensible manner and seeking to communicate our policy intentions as clearly as possible."

Charlie Bean ends with a few words on the exit from unconventional monetary policies. He notes that the heterogeneous nature of the recovery will complicate matters, particularly given the risk that markets see tightening moves in one country as an indication that tightening may occur elsewhere. Charlie Bean reiterates that it was such concerns that prompted the Monetary Policy Committee (MPC) to offer explicit forward guidance on the future path of interest rates and asset purchases. He states: "This guidance is intended primarily to clarify our reaction function and thus make policy more effective…it also provides a robust framework within which to test the scope for economic expansion without jeopardising price or financial stability."