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Rola banku centralnego w gospodarce – obraz po kryzysie

Streszczenie

Problem aktywności banku centralnego i jego wpływu na gospodarkę od dawna nurtuje teoretyków i praktyków ekonomii. Znaczenie polityki pieniężnej dla sfery realnej było przedmiotem analiz wielu nurtów myśli ekonomicznej. Konsensus wypracowany w tym zakresie zaowocował nową syntezą neoklasyczną mającą praktyczny wyraz w strategii bezpośredniego celu inflacyjnego. Kryzys finansowy, który wybuchł w 2008 roku sprawił, że banki centralne w sposób niezwykle aktywny podjęły działania wykraczające poza tradycyjne rozumienie ich roli. Skutki kryzysowej polityki pieniężnej widoczne są nie tylko w gospodarce ale także skłaniają do zastanowienia nad przeformułowaniem roli polityki pieniężnej w obrębie polityki gospodarczej.
W artykule obok przeglądu różnych poglądów dotyczących znaczenia polityki pieniężnej dla gospodarki opisane zostały działania podejmowane przez banki centralne w reakcji na kryzys wraz z ich obserwowanymi skutkami. Na tym tle zostanie podjęta próba wskazania możliwego nowego usytuowania polityki pieniężnej w strukturze polityki gospodarczej państwa.

Słowa klucze: bank centralny, polityka pieniężna, kryzys finansowy

The role of central banks in the economy - a post-crisis perspective

Abstract

The problems of the activity of the central bank and impact monetary policy on the economy are interesting for theoreticians and practitioners of economics. The significance of monetary policy for the real-life sphere was an object of analyses in many areas of economics. The developed agreement in this respect resulted in the new neoclassical synthesis having a practical expression of the strategy of direct inflation targeting. The 2008 financial crisis made central banks to take action exceeding the traditional understanding of their role and to do so in an unusually active way. The effects of the unconventional monetary policy can be observed not only in the economy but also in the changing of thinking of the role of monetary policy. This article, apart from exploring different views concerning the significance of monetary policy for the economy, investigates the measures taken by central banks in response to the crisis and their effects. Taking this into account, an attempt to explain the new place of monetary policy in the structure of economic policy was made.

Keywords: central bank, monetary policy, financial crisis

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Introduction

Monetary policy forms part of the economic policy of each state, whereas central banks are institutions authorized to manage that policy. This statement is the foundation for the functioning of modern central banking. It does not raise doubts either on the basis of theoretical considerations or in practice. However, the determination of the impact of monetary policy on economic development and its relationship with fiscal policy is a topic that has been discussed for many decades. An attempt to combine the achievements of various economic schools resulted in the creation of a new neoclassical synthesis as the theoretical basis for pursuing contemporary monetary policy. On this basis, many central banks implemented the strategy of direct inflation targeting and by 2008 effectively pursued monetary policy aimed at maintaining prices at a stable level. For this purpose the bank used traditional monetary policy instruments influencing the level of short-term interest rates in the economy. The outbreak of the financial crisis in September 2008 (the provisional date is the collapse of financial services firm Lehman Brothers) made that central banks become actively involved in activities to reduce the negative impact of that crisis. To this end, they used instruments outside the traditional set assigned to monetary policy. The use of unconventional monetary policy instruments has triggered various effects, the relevance of which for future economic policy is often significant and can be long-term. This leads to the formulation of a question regarding the future role of the central bank and its monetary policy in the structure of economic policy.

This article is divided into three sections. The first section will review the views of various trends in economic thought on the role and location of monetary policy in the structure of the state's economic policy, based on the available literature. The second section will describe the unconventional monetary policy instruments used by central banks during the crisis, along with their potential long-term effects on the economy. The summary will include an attempt to answer the question regarding a possible change in the structure of economic policy in the context of the future role of monetary policy.

Review of the views on the role of monetary policy in the economic policy of the state

Researchers have dealt with the problems of money and its influence on the economy since antiquity. From the point of view of the development of contemporary theories, the most important is the formulation of the quantitative theory of money at the end of the 19th century (Drabowski 1989, p. 8). It consisted in a certain summary and systematization of views presented earlier by economists. The founder of the quantitative theory of money (in the transaction version) is Irwing Fischer, who developed the descriptive rules of money circulation in the economy. This formula is based on the assumption that the economy is in balance under the conditions of full employment. According to Fisher, the economy strives to reach that state by itself. In the practice of economic life, central banks controlled the issuing of banknotes in relation to the accumulated bullion stocks, in line with the adopted assumptions. This prevented uncontrolled increase in prices and inflation. The economy, having the ability to recover spontaneously, did not require any deeper intervention on the part of the state. The sole role of the central bank was to control the size of the money supply.

The shift of views on the central bank's role in the economy occurred with the outset of the 20th century. The founder and leading personality of the new economic school was J.M. Keynes, who drew attention to the importance of effective demand for the economy. At the same time, he emphasized the instability of investment and consumption generated by the private sector. The main task for economic policy was to stabilize economic growth through redistribution and public investments (Kiedrowska, Marszałek 2003, p. 72). Monetary policy consisting in lowering the short-term interest rate may affect the growth of loans in the economy and stimulate investment activity, but due to the uncertainty experienced by entrepreneurs, it cannot bring about the effects equivalent to fiscal policy (Pruski 1993, p. 43). Keynes's attitude to inflation is noteworthy as he believes inflation may jeopardize the economy only in conditions of full use of production capacity, which is rather an exceptional case. According to the Keynesians, fiscal policy plays a dominant role in the structure of the economic policy of the state, with monetary policy having a secondary position.

Monetary concepts in economics arose in response to the inadequacy of Keynes's theory in explaining the effects of supply shocks and stagflation processes in the economy in the 1970s and 1980s (Ptak 2008, pp. 100-101). Monetarism, as an economic doctrine, was shaped in the mid-1950s, but gained popularity only in the time of the great inflation of the 1980s. The leading representative of the Chicago school developing theories later identified as monetaristic was Milton Friedman. According to the monetarists, the condition for ensuring stable economic growth is to maintain a low and stable inflation level. Since the demand for money is stable, the size of the money supply is of paramount importance to the price level, depending entirely on the activities of the central bank. Hence the great role of monetary policy. According to Friedman and his successors, fiscal policy is ineffective as an instrument to support economic development, mainly for two reasons: the crowding-out effect (government investment expenditure replaces private sector spending) and delays (related to the long-term legislative path). Unlike the Keynesians, monetarists gave primacy to monetary policy over fiscal policy.

The opposition between the Keynesian and monetarist approach to the issue of the effectiveness of economic policy for many years shaped thinking about the role of fiscal and monetary policies. Turning to the assumptions of the new neoclassical synthesis, as the basis for contemporary monetary policy, the main thoughts of the other schools of mainstream economics should be outlined. The new neoclassical school, in connection with the theory of rational expectations, pointed to the ineffectiveness of both monetary and fiscal policies in stabilizing the economy. According to its representatives, only unexpected changes in the rules of pursuing monetary policy could trigger a short-term impact on the economy. In the long run, however, economic policy was neutral. Economists siding with the real business-cycle theory share a similar opinion in that regard. Although they point to the primacy of fiscal policy over monetary policy, they do not recommend using it as an instrument for stabilizing the economic situation (Kiedrowska, Marszałek 2003, p. 86).

Starting from the 1980s, the world economy saw a period of great stability. After the experience of high inflation, governments for the most part withdrew from intervening in the economy. It was a period of low inflation, accompanied by stable economic growth. The effect of the changes discussed above became, in the theory of economics, a new neoclassical synthesis. It is the expression of an eclectic approach to the former economic achievements in terms of the monetary policy theory, for which the general equilibrium model grounded on the concept of no fixedness was assumed (Grabek, Kłos, Koloch 2010, pp. 24-31). According to the views of this trend of economic, monetary policy can play an important role in supporting the economy in recovering from the effects of real-life shocks. Its importance for ensuring low and stable inflation is crucial from the point of view of the economy. However, it should be remembered that its role is only supportive in relation to the economy's ability to self-regulate (Sławiński 2016). Fiscal policy is much less significant and should focus on providing optimal conditions for the functioning of the economy.

The above views of major economic schools demonstrate that the conviction of the primacy of one of the policies, i.e. fiscal or monetary, has changed over time. With that being said, the change of views was usually associated with disturbances in the real-life sphere of the economy, which gave impetus to the revision of existing views. At the end of the 20th century, in line with the new synthesis, neoclassical monetary policy grew to be the key element of economic policy and central banks became the institutions supervising national financial order (Alińska, Pietrzak, Wasiak 2016).

Unconventional monetary policy instruments and selected effects of their use

In line with the above-mentioned assumptions of the new neoclassical synthesis, until the 2008 crisis central banks used to pursue the adopted monetary policy strategies using traditional instruments. These included short-term central bank interest rates, open market operations and deposit and credit operations, which allowed for the adjustment of the monetary base to the desired level (Ząbkowicz 2015, pp. 30-31). That instrumentation also provided for a mandatory reserve and an increasingly extensive information policy. Using these tools, the central bank, through various transmission channels of monetary impulses, affected real economy (Demchuk, Łyziak, Przystupa, Sznajderska, Wróbel 2012, p. 7).

The financial crisis broke out in September 2008. It caused liquidity problems for banks and other financial market entities, resulting from, on the one hand, a decrease in the value of assets (especially toxic assets, with a badly priced risk) and, on the other hand, a sudden of the interbank lending market. The loss of trust among market participants translated into a reduction in the number of transactions concluded on the money market. In view of those events, both central banks and governments took swift action. As per central banks, in the initial period that action consisted in lowering interest rates and modifying the principles of conducting standard open-market operations and deposit and credit operations. The measures taken proved insufficient to stop the growing disorders. In addition, the situation was further complicated by the fact that the central bank's interest rates were brought to a close-zero level quite quickly (as early as at the end of 2008 in the United States). This took away the possibility of continuing the conventional monetary policy. Central banks launched new, non-standard monetary policy instruments as a result. In the literature, these tools are referred to collectively as quantitative easing as they consist in providing additional liquidity to the financial sector. This is done by purchasing various types of market securities, which results in an increase in the balance sheet total and a change in the structure of the central bank's balance sheet. What is new in this case is not only the technical details of operations performed, but also their scale (Tomkiewicz 2015, pp. 166-167). An example is the Federal Reserve System, whose balance sheet total has increased five-fold since the 2008 financial crisis - from 900 billion to 4.5 trillion US dollars (Mester 2016). It should also be noted that, as a consequence of quantitative easing, significant amounts of Treasury debt securities accessed the portfolios of central banks[3].

Achieving near-zero interest rates by short-term prompted central banks to affect long-term interest rates by purchasing long-term debt securities (Roath 2016) [4]. The creation by the central banks of a constant demand for them reduced the cost of obtaining financing by issuers of such securities. However, as the purchases made by the central bank also concern long-term Treasury securities, the government's financing conditions are also bettered in the process, having an obvious impact on the possibilities of pursuing an active, stimulating economic fiscal policy[5].

The non-standard measures used by central banks have had various effects. The panic and disturbances in the financial market were quickly controlled, while the banking sector (also thanks to the support of governments) did not lose liquidity and the depositaries did not incur losses. The recession on the side of real economy was relatively superficial (Tomkiewicz 2015, pp. 167-168), but unfortunately it was long-term. This may be the result of the phenomenon of secular stagnation observed in developed economies. Secular stagnation consists in the simultaneous occurrence of excess savings and low demand (Sławiński 2016). It should also be noted that the accommodative monetary policy pursued for a long time influenced the dependence of financial markets on cheap, easily available money. The phenomenon of addiction applies equally to governments. Central banks influenced the conditions for the functioning of the government debt market in two ways. First, by keeping long-term interest rates at a very low level (here one can again refer to the example of the new policy goal of the Bank of Japan). Second, central banks have been generating constant demand for Treasury securities by buying them on either the primary (Bank of Japan) or secondary (European Central Bank) market.

[3] It is approximately 10% of the value of assets un the case of the Federal Reserve System and the European Central Bank (Ramotowski 2016).

[4] The Federal Reserve System carried out an operation twist involving the conversion of short-term securities into long-term ones.

[5] This was particularly marked by the announcement by the Bank of Japan of a new target for monetary policy, in the form of maintaining a near-zero profitability of 10-year government bonds (Ramotowski 2016).

Recent discussions on monetary policy have been increasingly inclined to the idea that it has exhausted the possibilities of stimulating economic growth (Ramotowski 2016). This does not, however, imply the need to return to pre-crisis monetary policy. On the contrary, it seems that monetary policy should continue to expand and use non-standard instruments as required. However, its main task should be to provide a space for an expansive fiscal policy more broadly outlined than before (Roath 2016). Analyses regarding the effectiveness of pro-investment monetary and fiscal policy indicate that the latter carries a much lower risk (Feldstein 2016). Central banks buying market securities into their portfolios take over the associated risk. In the case of fiscal policy, which relies on a different set of tools, the risk is not transferred on to the government. It is also worth clarifying at this point that the subject of monetization of public debt through the issuing by the central bank of what is known as "helicopter money" is not discussed here for space reasons (Sławiński 2016). The introduction of "helicopter money" would certainly affect the mutual relations of monetary and fiscal policy.

Conclusions

Views on the role of monetary and fiscal policy and their primacy in gearing the economy towards stimulating growth have changed over the years. To a large extent, it was not so much a consequence of the development of theoretical research, but the phenomena occurring in real life. The consensus achieved at the end of the 1980s prioritized monetary policy as more effective in supporting economic self-regulation processes. The financial crisis of September 2008 forced banks to apply instruments that had never been used before as the standard of monetary policy ran out. By making an unprecedented scale of purchases of securities (both commercial and government) with long maturities, the banks began to effectively influence the level of long-term interest rates. At the same time, that policy has changed the conditions for the functioning of financial markets particularly in what concerns the government debt securities market. As a result, monetary policy began to strongly impact fiscal policy. On the other hand, the possibilities of influencing non-standard monetary policy to stimulate economic growth seem to be running out, which would indicate the future primacy of fiscal policy. In the author's opinion, parallel occurrence of both these trends points to the necessity of developing a completely new strategy of economic policy based on far-reaching coordination of the two policies subject to equal treatment. It seems that such a solution will be a significant *novum* in the way of thinking about the economic policy of the state.

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