

Discussion of
'The macroeconomic effects of quantitative
easing in the Euro area:
Evidence from an estimated DSGE model'
by Vogel, Priftis and Hohberger

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All comments are mine and do not reflect the views of the Bank of England or its policy committees.

Plan for discussion

1. The paper in a nutshell
2. Some questions on the results
3. Policy implications?

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The paper in a nutshell

- ▶ Ambitious objectives
 - ▶ Analyse macroeconomic effects of ECB QE
 - ▶ Using DSGE model estimated using Bayesian methods
- ▶ Thorough approach
 - ▶ Large scale DSGE model
 - ▶ Explicit mechanism for QE
 - ▶ Sophisticated estimation methodology (ZLB)
- ▶ Important results
 - ▶ With ZLB in place, average growth effect of ECB QE is 0.7%
 - ▶ Average effect on inflation is 0.4%
- ▶ So there is a lot to like!

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Questions on the results

- ▶ Very small sample size
- ▶ Exchange rate channel
 - ▶ Open economy model is (welcome) novelty in QE literature
 - ▶ But is this channel important? More evidence would help
- ▶ Effects of QE seem quite small?
 - ▶ Might expect larger effects via ex rate channel
 - ▶ Compare with existing studies? [What about long rates?]
- ▶ Robustness of estimation of γ_b ?
 - ▶ Estimated over sample where QE not active
 - ▶ Debt management at discretion of EA members
 - ▶ Local market segmentation?
 - ▶ Debt management objectives offset portfolio frictions?

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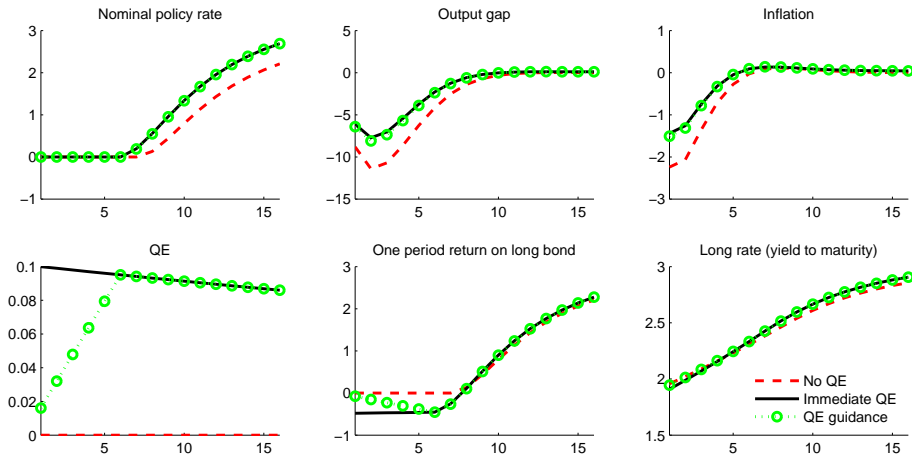
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Policy implications

- ▶ Assume QE follows autoregressive 'rule'
 - ▶ Allows estimation over period during which QE not active
 - ▶ Implies that QE 'shock' explains all variation in QE
 - ▶ And that policy implications are unclear
- ▶ Fed, BoJ and ECB: QE policies included 'guidance'
 - ▶ Announced planned flows of future QE purchases
 - ▶ Policymakers believe that guidance element is important
- ▶ Investigate using extended variant of Harrison (2012)
 - ▶ Habit formation and inflation indexation
 - ▶ 'Neutral' debt management policy
 - ▶ Geometrically declining consol coupon
 - ▶ Arbitrary parameterisation!

Policy implications

Effects of anticipation



- ▶ 'Guidance' & immediate expansion have similar effects
- ▶ Operates via expected one period returns on long bonds

Summary

- ▶ A helpful addition to the literature
 - ▶ Large scale model fit to many series
 - ▶ Careful estimation approach
 - ▶ Adds EA experience to the evidence
- ▶ Avenues for further work?
 - ▶ Setting results in context with existing literature
 - ▶ Additional work on how to model QE policies