

New-style central banking

Ricardo Reis
Columbia University

IMFS conference on economic and legal
limits of central banking
Frankfurt, 26th of November, 2013



Central banks for a new world

1. Tools for central banks:

- Will pay interest on reserves. *But equal to short-term rates?*
- Will hold government bonds of longer maturities. *But solvency risk?*
- Will do whatever it takes in a crisis. *But do rules increase uncertainty?*

Central banks for a new world

1. Tools for central banks:

- Will pay interest on reserves. *But equal to short-term rates?* **Yes**
- Will hold government bonds of longer maturities. *But solvency risk?* **No**
- Will do whatever it takes in a crisis. *But do rules increase uncertainty?* **Bad ones**

2. Goals for central banks

- Inflation targets are here to stay. *But will the numerical values rise?*
- Will not be inflation nutters. *But will they embrace price-level targeting?*
- Will have to ensure financial stability? *But is this a tripartite mandate?*

Central banks for a new world

1. Tools for central banks:

- Will pay interest on reserves. *But equal to short-term rates?* **Yes**
- Will hold government bonds of longer maturities. *But solvency risk?* **No**
- Will do whatever it takes in a crisis. *But do rules increase uncertainty?* **Bad ones**

2. Goals for central banks

- Inflation targets are here to stay. *But will the numerical values rise?* **Maybe**
- Will not be inflation nutters. *But will they embrace price-level targeting?* **Yes**
- Will have to ensure financial stability? *But is this a tripartite mandate?* **Unclear**

3. Constraints for central banks:

- Will become more transparent. *But also more accountable?*
- Will coordinate with financial regulators. *But what about fiscal policy?*
- Discover the meaning of courage.



Central banks for a new world

1. Tools for central banks:

- Will pay interest on reserves. *But equal to short-term rates?* **Yes**
- Will hold government bonds of longer maturities. *But solvency risk?* **No**
- Will do whatever it takes in a crisis. *But do rules increase uncertainty?* **Bad ones**

2. Goals for central banks

- Inflation targets are here to stay. *But will the numerical values rise?* **Maybe**
- Will not be inflation nutters. *But will they embrace price-level targeting?* **Yes**
- Will have to ensure financial stability? *But is this a tripartite mandate?* **Unclear**

3. Constraints for central banks:

- Will become more transparent. *But also more accountable?* **Hopefully**
- Will coordinate with financial regulators. *But what about fiscal policy?* **Bonds**
- Discover the meaning of courage. **Rogoff inverted**

