


*Nuevos horizontes de la política
monetaria global, economías
emergentes y América Latina:
¿Más preguntas que respuestas?*



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XII CONFERENCIA INTERNACIONAL
DE ESTUDIOS ECONÓMICOS FLAR 2017



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La presente publicación es resultado del diálogo que se tuvo durante el 13 y 14 de julio de 2017, en la ciudad de Cartagena de Indias, Colombia, entre autoridades económicas, académicos y expertos internacionales.

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Finalmente, pero no menos importante, se dan las gracias a las autoridades económicas de los países miembros del FLAR y a los demás participantes de la conferencia.

Acknowledgments

This publication is the result of the dialogues held during July 13 and 14, 2017, in the city of Cartagena de Indias, Colombia, between economic authorities, scholars and international experts.

Our thanks to all the speakers and panelists for sharing their knowledge and contribute to the preparation and review of the texts of their materials, in the order of their presentation: Masaaki Shirakawa, Frederic Mishkin, Christopher Waller, Ricardo Caballero, Carlos Vegh, José Juan Ruiz, Mario Bergara, Luis Jácome, José Darío Uribe, and Julio Velarde.

We also thank FLAR's Executive Presidency for its support with the publication of this work, as well as CAF — Development Bank of Latin America — for cosponsoring the Conference, for the eleventh consecutive year.

Last, but not least, our thanks to the economic authorities of the FLAR member countries and to all the other participants in the conference.

Nota del editor

La 13ª conferencia anual de estudios económicos FLAR-CAF, realizada el 13 y 14 de julio de 2017, se centró en la discusión referente a los nuevos horizontes de la política monetaria global y su efecto en las economías de mercados emergentes y en desarrollo, especialmente sobre América Latina.

El diálogo de la conferencia estuvo a cargo de responsables de la política económica de países de la región, académicos, autoridades de organismos multilaterales y de otras instituciones oficiales.

Las presentaciones y discusiones del evento se enfocaron en tres temas:

- Los límites e instrumentos de la política monetaria global.
- Efectos de la política monetaria de las economías desarrolladas sobre las economías de mercados emergentes y en desarrollo.
- Retos de la banca central de América Latina en el actual contexto económico internacional.

Sobre el primer tema, los participantes coincidieron en afirmar que, si bien la política monetaria ha tenido un destacado papel en la recuperación económica de la Crisis Financiera Global, su alcance es limitado y el crecimiento requiere de políticas económicas de largo plazo. Asimismo, se discutió sobre el papel de la política monetaria de velar por el control de la inflación, sin desconocer otros objetivos como el de estabilidad financiera.

Los participantes también dialogaron sobre los instrumentos de la política monetaria, en especial sobre los desarrollos y los retos asociados al manejo de la herramienta de la comunicación. Esto con el fin de anclar las expectativas de inflación de los agentes, mantener la credibilidad en el esquema monetario, y evitar la volatilidad en los mercados. Del diálogo también se concluyó que hay heterogeneidad entre los bancos centrales del mundo en lo que al manejo de esta herramienta de comunicación se refiere.

Respecto del segundo tema de discusión, los participantes afirmaron que hay una exposición de las economías emergentes y en desarrollo ante el proceso de normalización de la política monetaria y de subida de las tasas de interés en el mundo desarrollado. A pesar de que el escenario base es de un incremento gradual en el costo de financiamiento externo, no se descartan episodios en los cuales se puede exacerbar la volatilidad en los mercados financieros y afectarse el flujo de recursos externos, ante lo cual los países deben estar lo mejor preparados posibles en términos de los equilibrios fiscal y externo.

Lo anterior se hace más complejo si se tiene en cuenta la reducción permanente de los términos de intercambio en gran parte de los países de la región.

Finalmente, los participantes hablaron sobre los retos de la política monetaria en América Latina, con el fin de mantener el terreno ganado en materia de control de la inflación. El diálogo sugirió que parte del reto está en contener las presiones para que la política monetaria se relaje en la búsqueda de un mayor crecimiento en la región.

Adicionalmente, se habló sobre el gran reto que representa el manejo de la estabilidad financiera como objetivo de política del Banco Central. Se reconoció que hay varios arreglos institucionales para llevar a cabo el cumplimiento de dicho objetivo, y cada uno de ellos tiene sus propios retos.

La conferencia se centró en los temas de estabilidad macroeconómico, y abordó tangencialmente la discusión sobre temas de largo plazo como crecimiento económico luego del auge de precios de materias primas en la región. Se reconoció que este último será un tema central de los debates en futuras conferencias y reuniones.

Esperamos que el lector disfrute los siguientes textos elaborados que buscan presentar parte importante de la discusión llevada a cabo durante la conferencia.

Editor's Note

The 13th FLAR-CAF Annual Economic Studies Conference, held on July 13 and 14, focused on the discussion about the new horizons for the global monetary policy and its effects on emerging market and developing economies, particularly in Latin America.

The conference dialogues involved economic policy-makers from countries in the region, scholars, multilateral body authorities, and authorities from other public institutions.

- Event presentations and discussions focused on three main topics:
- Global monetary policy limits and instruments.
- Effects of the monetary policy of developed economies over emerging market and developing economies.

Challenges for the Latin American central banks in the current international economic context.

Regarding the first topic, participants concurred in stating that, while monetary policy has played a prominent role in the economic recovery following the Global Financial Crisis, its scope is limited, and growth demands long-term economic policies. Likewise, discussions were held regarding the role of monetary policy in ensuring inflation control, without disregarding other purposes such as financial stability.

Participants also held discussions regarding available monetary policy instruments, particularly addressing the developments and challenges associated to the management of the communication tool by the central banks. This, aimed at anchoring the agents' inflation expectations, maintaining credibility in the monetary scheme, and preventing market volatility. The dialogue also concluded in stating that heterogeneity exists among the world's central banks regarding the management of this communication tool.

Regarding the second discussion topic, participants stated that the emerging and developing economies face an exposure to the normalization process of the monetary policy and the rise of the interest rates in the developed world. Even though the baseline scenario features a gradual increase in external financing costs, episodes of volatility in the financial markets and reduction of the capital inflows may not be ruled out, in which case countries should be as best prepared as possible in terms of fiscal and external balance.

The above makes matters even more complex if the effects of a permanent reduction in the terms of trade are experienced by various countries are taking into account.

Lastly, participants discussed the monetary policy challenges in Latin America, in order to maintain the gained space regarding inflation control. Comments suggested that part of the challenge is to contain the pressure aimed at relaxing the monetary policy in search of increased growth.

Furthermore, discussions addressed the major challenge represented by the management of financial stability as a central bank policy goal. It was acknowledged that there are several institutional arrangements in place to comply with this objective, and each of them has their own challenges.

The conference focused on macroeconomic stability issues, and tangentially addressed discussions regarding long term topics, such as economic growth after the boom in commodity prices in the region. The latter was recognized as a core topic of debate for future conferences and meetings.

We hope the readers will enjoy the following elaborate texts whose purpose is to reflect an important part of the discussions held during the conference.

Unconventional Monetary Policy and Its Global Implications: A View from Japan

MASAAKI SHIRAKAWA

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My expected role as a speaker at FLAR conference is to offer my assessment of the effect of unconventional monetary policy (UMP) or QE (quantitative easing) deployed by central banks of many advanced economies, bearing in my mind possible impacts on global economies including Latin America countries. In so doing, I will make best use of my own experience at the Bank of Japan as well. An assessment of UMP is quite relevant and timely at this juncture. First, “normalization” of Fed’s monetary policy is now under way. Second, given that eight years have already passed since global economic recovery has started, we need to have an informed judgement as to the effect of UMP which will likely be deployed in the next recession.

1. UNCONVENTIONAL MONETARY POLICY: JAPANESE EXPERIENCE

I would like to start my remarks by evaluating the effectiveness of UMP deployed by many advanced economies after GFC (global financial crisis) erupted by using Japanese experience as a reference case.

Japan is unique in evaluating the effect of UMP. First, Japan has twenty years’ experience of UMP as its frontier. Bank of Japan (BOJ) has made utmost efforts to support the economy by inventing bold and innovative policy measures since the bursting of bubble. For example, measures that BOJ took to prevent financial system from collapsing since mid-1990s, though not categorized as UMP, are quite similar to what FRB did after the failure of Lehman Brothers in 2008. Such measures include a commitment of unlimited amount of liquidity provision to Yamaichi Securities (Japanese equivalent in 1997 to Lehman Brothers in the US in 2008) and equity provision to a special bank set up for facilitating an orderly resolution of troubled banks. When Japan was deploying UMP in early 2000s, I never thought that my counterpart at foreign

central banks would adopt them in the future. Japan was a lonely forerunner until the onset of GFC and I remember BOJ's anguish was not necessarily shared by policymakers and academics outside Japan at the time.

Second, Japan was a sort of "laboratory" in that almost all kinds of UMP measures have been implemented and tested (Table 1). Our list of UMP includes zero-interest rate policy (Figure 1), massive expansion of central bank balance-sheet (Figure 2), forward guidance, purchase of private risk asset such as commercial paper, corporate bond, asset backed securities, exchange traded fund (ETF) and real estate investment trust (REIT), negative interest rate and more recently, yield curve control. In fact, measures that Japan has not yet tried so far are only two. One is an unlimited purchase of foreign exchange which was adopted by Swiss National Bank (SNB) for some years and the other is an explicit coordination between monetary and fiscal policy which is now advocated by some prominent economists.

2. DID UMP IN ADVANCED ECONOMIES WORK AS WAS HOPED FOR?

UMP has been with us for almost ten years for many advanced economies and for twenty years for Japan. It is an inherently daunting task to assess the effectiveness of UMP, simply because we cannot know the counterfactual. With that caveat in my mind, the following is my general assessment.

First, many emergency measures taken in crises were quite effective in preventing collapse of financial system, credit intermediation or market making function, which I believe was a single most important reason why we could succeed in avoiding the disaster witnessed in 1930s. These measures are sometimes dubbed as quantitative easing (QE) but this phraseology is quite misleading. These were essentially deployment of time-honored role of a lender of last resort (LLR) by central banks.

Second, UMP was effective on the whole in affecting prices of financial assets, if purchase by central banks is conducted on a really massive scale. In this regard, an interesting case is the attempt to peg Swiss franc exchange rate by SNB. It was successful in the sense that floor of Swiss franc was maintained for as long as more than four years, and unsuccessful in the sense that SNB was eventually forced to withdraw from such a commitment in the event of the start of QE by ECB.

Third, the effect of UMP on real economy was rather limited, though it differs somewhat across countries. My assessment is simply based on a statistical fact about the path of GDP of countries with and without UMP after the burst-

ing of bubble. Figure 3 shows the path of GDP in Japan in 1990s where UMP as such was not deployed and the US, Eurozone and UK in post-GFC period where UMP was deployed. Comparing the path of GDP relative to peak level (1991 for Japan and in 2007 for the US, Eurozone and UK, respectively), there is no material or systematic difference.

The same observation does hold, even if we change a reference point. Figure 4 shows the path of GDP relative to the level recorded in 2007. Japan's performance was relatively good in an international comparison and not worse than that in the US, if we adjust for the impact of demographic change. Given this fact, I cannot be sanguine about the effectiveness of UMP on real economy, although I admit that UMP was necessary.

Fourth, it is too early to assess full effect of UMP, because we have to weigh its positive effect against its possible long-run cost including the adverse impact on resource allocation and its symmetrical negative impact due to eventual unwinding of UMP by other countries

It seems to me that a reasonable consensus has not yet emerged except for the first and the second point that I mentioned above. Once again, I want to emphasize that it is important for central banks to act as a lender of last resort in order to prevent collapse of financial system, credit intermediation or market –making function.

3. WHAT IS THE CUMULATIVE EFFECT OF UMP?

A decline in long-term interest rate engineered by UMP could bring forward future demand to the present through a decline in borrowing rate and/or wealth effect, and hence is expected to raise growth and inflation accordingly. Adopting UMP is a natural and legitimate response on the part of central banks. But the effect is essentially due to inter-temporal substitution. To that extent that it is effective today, it becomes less effective tomorrow. Therefore, on top of that, if pursued aggressively and for long, it could ultimately lead to over-leverage and/or maturity mismatch, thus threaten financial stability. In my view, the strategy of UMP is meaningful if a shock hitting the economy is rather temporal. Otherwise, it is not a solution. In the case of Japan, for example, the problem is not solved just by shifting timing of expenditure. The fundamental challenge facing Japanese economy comes from rapid decline of working-age population and hence natural rate of interest rate.

Weak growth despite massive deployment of UMP could be understood in this light. UMP is essentially the efforts to drive down real market interest rate below natural interest rate in the face of zero-lower bound of short-term inter-

est rate. The economy envisaged is the one characterized by demand shortage. And this demand shortage is aggravated by zero-lower bound of interest rate. But, the constraint stems not only from zero-lower bound of interest rate but more importantly from inter-temporal budget constraint. Once the economy deviates from sustainable economic growth path for extended period of time, “excesses” is created. Although the exact form of “excesses” might be different across time and countries, excess of debt, capital equipment and employment are important components. Such excesses created during bubble period needs to be eliminated for the economy to return to sustainable growth path. The only way to eliminate such excesses is by decreasing expenditure which leads to subdued growth for some time. UMP can do a job of mitigating the speed of this painful adjustment process but cannot undo whole adjustment process itself, even though it succeeds in lowering real interest rate by UMP. If Global recovery we are now seeing seems to be more of the product of passage of time rather than of the effect of UMP.

4. QUANTITATIVE EASING BY THE US

Looking at a comparison of GDP since the onset of GFC, US experience with QE seems to be somewhat positive, though less positive than is implied by prediction prior to GFC.

How should we interpret this fact? There are two hypotheses. One hypothesis is that QE in the US worked better, because it had “flexible” economic system and relatively benign growth potential. The other hypothesis is that, unlike other advanced economies, the US could count on “international currency channel.” US monetary easing tends to bring about corresponding easing on the part of emerging economies. One such route is their pegging of exchange rate to the US dollar. The other route is funding channel, since the US dollar is a major funding currency for many global firms (Figure 7). In any event, these effect are conceptually symmetrical over monetary policy cycle.

5. UNIQUENESS OF A COUNTRY OF SAFE-HAVEN CURRENCY WITH LOWEST LEVEL OF INTEREST RATE IN THE WORLD

Japan and Switzerland were faced with unique difficulties, when other countries were deploying UMP; both were countries of issuing safe-haven currency and faced with zero-lower bound of interest rate far ahead of other advanced economies. As global uncertainty elevated, global investors’ demand for safety increased. Although Japan was hit by strong deflationary impact due to yen’s

appreciation caused by safe-haven flow, it was not equipped with effective instrument to counteract such forces simply because of its constellation of yield curve (Figure 8). Short end of yield curve was practically zero. Long end of yield curve (the yield on ten-year JGB) was as low as 1.3% before Lehman collapsed, while the yield on ten year US and Europe bond was 4.5% (Figure 9). Simply put, Japan had no way to create monetary policy divergence in favor of exchange rate depreciation.

Although this might be a digression, I would like to note the argument of “redundancy problem” or “N-1” problem by Robert Mundell in late 1960s. In a world of N number of countries, (N-1) number of exchange rates exists and Nth country cannot choose its exchange rate level. In Bretton woods system, Nth country was supposedly the US which could affect global financial conditions by issuing reserve currency. In a world characterized by zero-lower bound of interest rate which was beyond anyone’s imagination back in 1960s, Nth country was Japan and Switzerland. We cannot rule out the possibility that global UMP on a massive scale will eventually lead to zero-sum game or “beggar-thy-neighbor policy”, if no country really cares about global implications.

The situation is rather different, in a case when only a small number of countries are hit by shock. A case in point is Japan prior to GFC. At the time, Japan was the only country which was faced with practically zero lower bound of interest rate. A gradual monetary tightening by the US and others advanced economies against the backdrop of “Great Moderation” in mid-2000’s created a divergence of monetary policy among advanced economies, leading to yen’s depreciation, which stimulated Japanese economy until GFC erupted. We could characterize Japan’s monetary policy strategy at the time as a policy essentially waiting for the arrival of “tail wind.” If tail wind fortunately blows, it works.

The situation that global economy has been faced with since GFC erupted was quite different from what Japan experienced in mid-2000s. The pertinent question here is whether or not UMP is effective in case when entire global economy is hit by a common shock. The mainstream view was that even in this case, “putting ones’ house in order” by deploying UMP aiming at domestic stability could lead to desirable outcome at global level as well. This view firmly rejects the view that UMP could have a risk of becoming a sort of “beggar-thy neighbor policy”. Although it is difficult to implement, it seems desirable for central banks in advanced economies to “internalize” its spillover effect and eventual spillback effect on their economies.

6. POLITICAL AND SOCIAL DIMENSION OF UMP

Finally, I would like to take up a political and social dimension of UMP. UMP tends to weaken incentives to implement structural reform to boost potential growth rate and restore fiscal sustainability on the part of private sector as well as government and/or politicians. If the shock hitting the economy is not temporary but structural, slow progress of structural reform becomes a really serious problem.

In fact, as many observers point out, central banks in advanced economies are now becoming “the only game in town.” This phenomenon is often attributed to the fact that structural policy is unpopular. But this interpretation is somewhat inaccurate. It seems to me that more complicated social dynamics is now at work. Independent and accountable central banks naturally feel obliged to do something against the backdrop of weak economic growth and low inflation, as long as they judge “gross” benefit is positive. Government/politicians can count on short-run stimulus effect on the economy delivered by central banks without implementing unpopular structural reform. For ordinary citizens, it is becoming extremely difficult to understand very complex mechanism of UMP and judge whether or not it works and what would be eventual outcome.

An interesting question here is the relevancy of “Tinbergen’s principle” and policy assignment in this complicated world. The standard argument goes as follows. First, if we have N number of policy goal, we need N number of policy instrument. Second, each policy instrument should be assigned to the goal for which it is most effective. According to this view, monetary policy is assigned to price stability, financial regulation is assigned to financial stability, and structural policy is assigned to the objective of boosting productivity. But, I cannot be necessarily sanguine about this “division of labor” thinking in a world where a prolonged monetary easing is creating too much debt as well as creating odd incentives in a society.

7. THE INFLUENCE OF INTELLECTUAL MODEL

After having explained about my assessment of the effectiveness of UMP, I would like to come back to the original question which I posed at the beginning: the role played by monetary policy strategy and its underpinning economic theory. I share the view that monetary easing is not sole cause of bubble prior to GFC but also think that monetary policy played at least some role. Why did we have such a prolonged period of accommodative monetary condi-

tions despite the fact that there was already serious debate on the relationship between monetary policy and bubble?

In this regard, I would point to the influence of mainstream intellectual model that prevailed prior to GFC and is still dominant. In particular, I would like to highlight two views.

First is the view that central banks can cope with the aftermath of the bursting of bubble, if they deploy monetary policy aggressively. But this view turned out to be wrong. Examining this issue leads me to the second issue that is more fundamental, namely, how to properly put whole arguments of lower bound of interest rate in perspective. Other thing equal, zero-lower bound of interest rate constraints the effectiveness of monetary policy. However, the constraint stems not only from zero-lower bound of interest rate but more importantly from inter-temporal budget constraint. If the conduct of monetary policy is overly influenced by fear of disinflation or deflation and zero-lower bound of interest rate, it could inadvertently help to bring the economy onto an unsustainable growth path. And if that happens, the economy has to undergo inevitable adjustment process for quite some time.

8. CONCLUDING REMARKS

To sum up, I would draw following lessons from UMP. A central message is to avoid collateral damage, once bubble burst. By avoiding collateral damage, I mean the following three points. First and foremost, we have to act decisively to avoid collapse of financial system by as a LLR. Whether or not we call it UMP is a matter of terminology. Second, it is legitimate to conduct UMP to mitigate the speed of painful adjustment process, if judged necessary. At the same time, we should not overestimate the effect of UMP on inflation and growth in a traditional sense of monetary policy. When central banks conduct UMP, they have to clearly recognize that it could not substitute for needed adjustment itself. Third, we should be mindful about possible adverse long-run effect as well. There are many issues that warrant careful consideration before the next crisis comes. On academic front, we need to reconsider the intellectual model that incorporates the essential elements of problems we faced.

FIGURE 1. SHORT-TERM INTEREST RATE

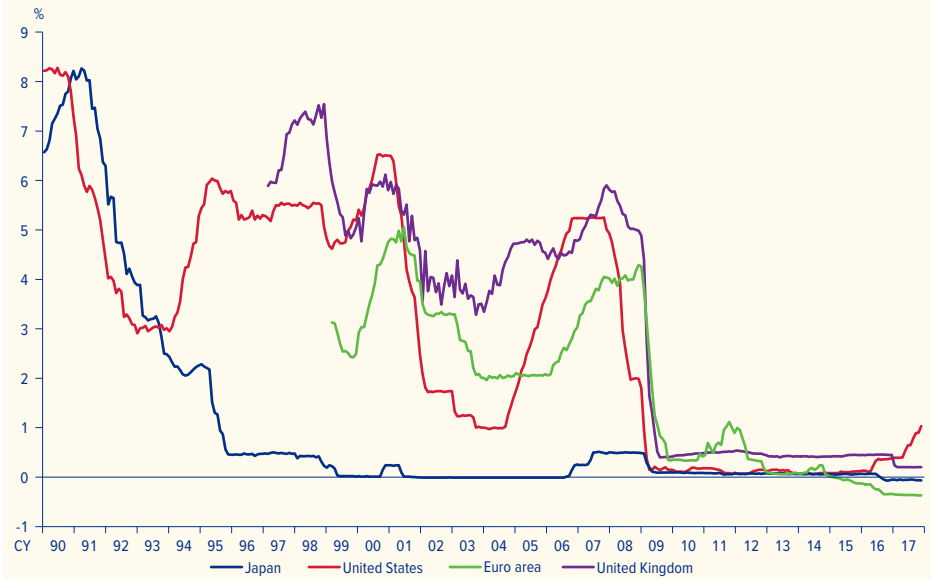
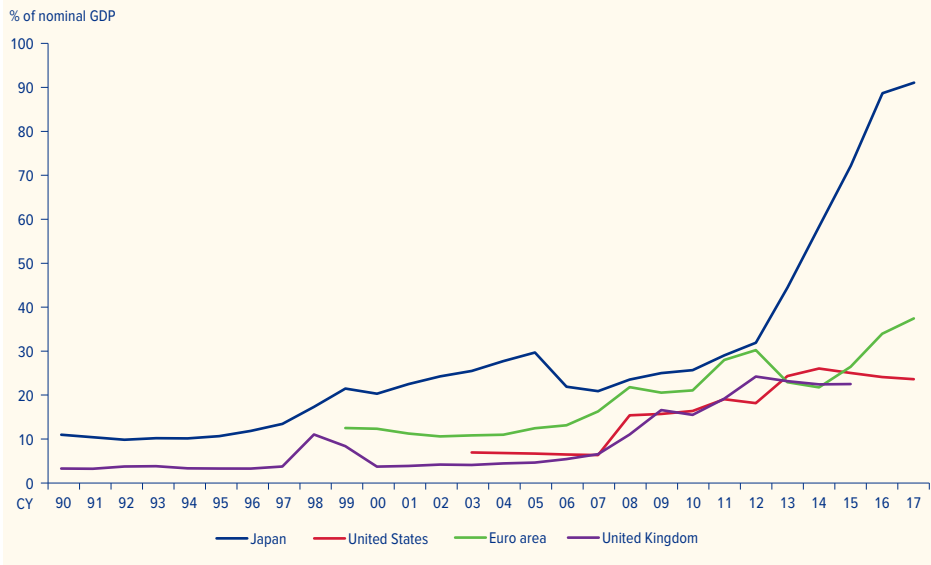


FIGURE 2. CENTRAL BANK BALANCE-SHEET



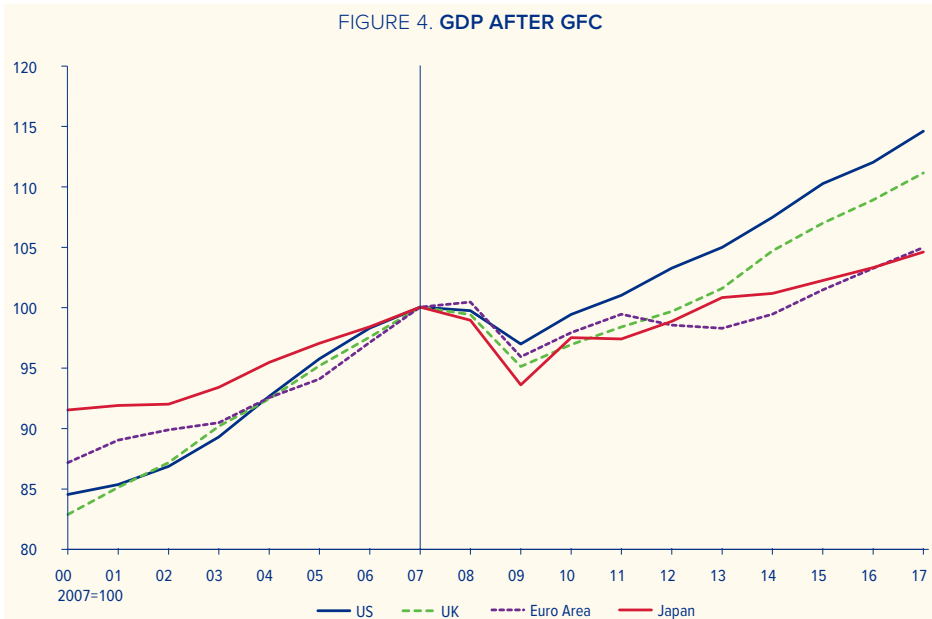
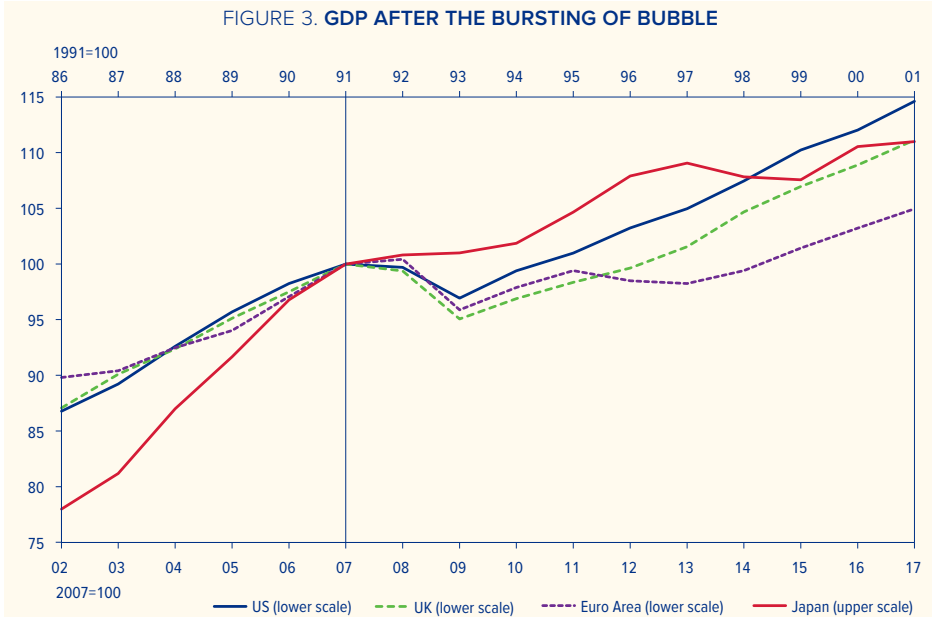


FIGURE 5. GDP PER-CAPITA AFTER GFC

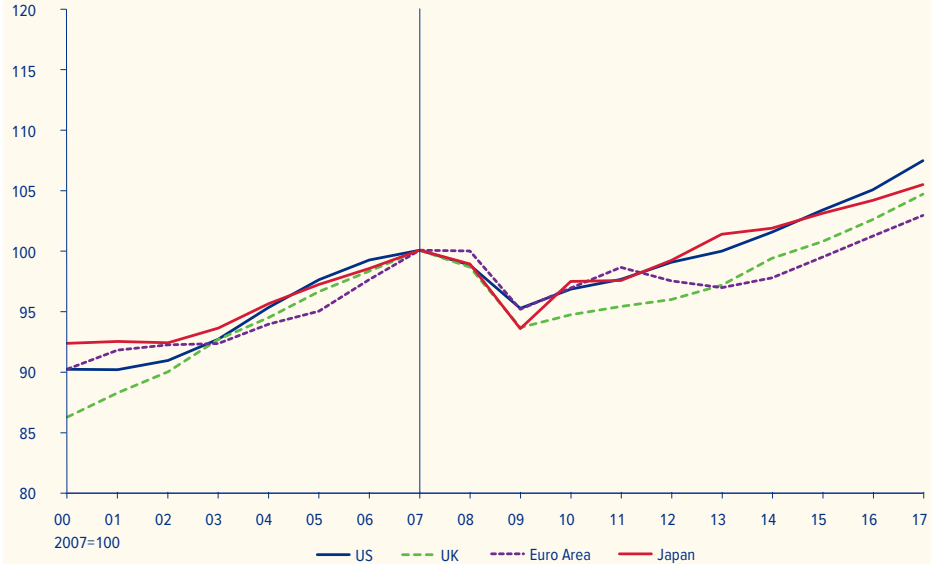


FIGURE 6. GDP PER WORKING-AGE POPULATION AFTER GFC

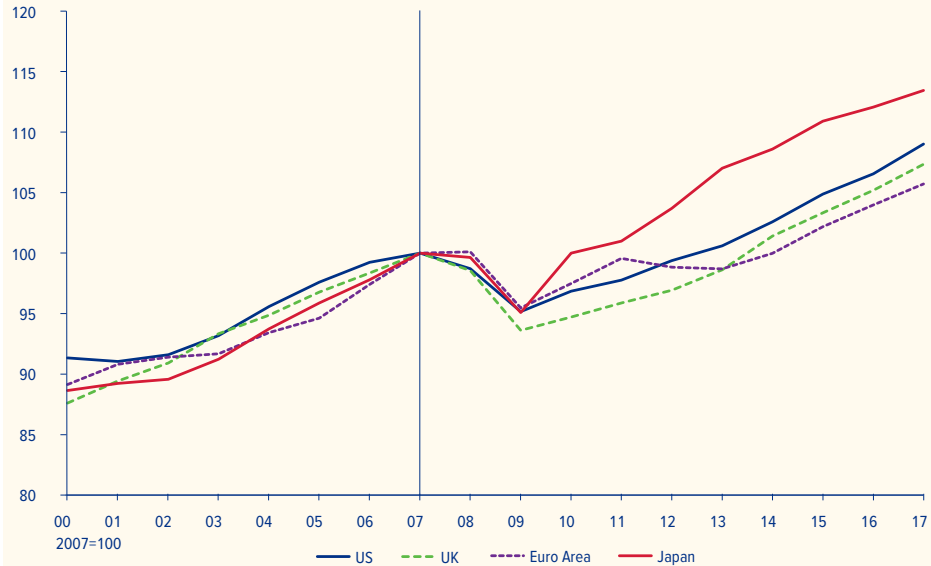
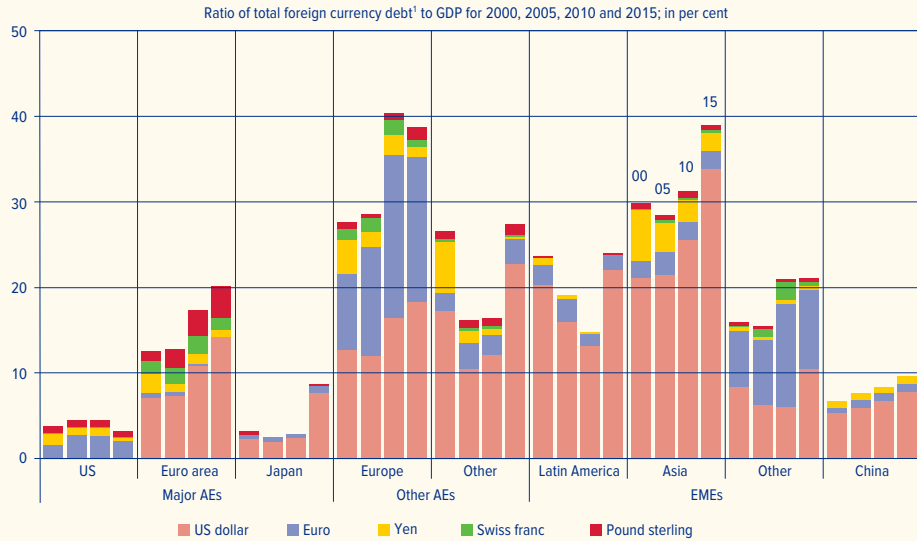


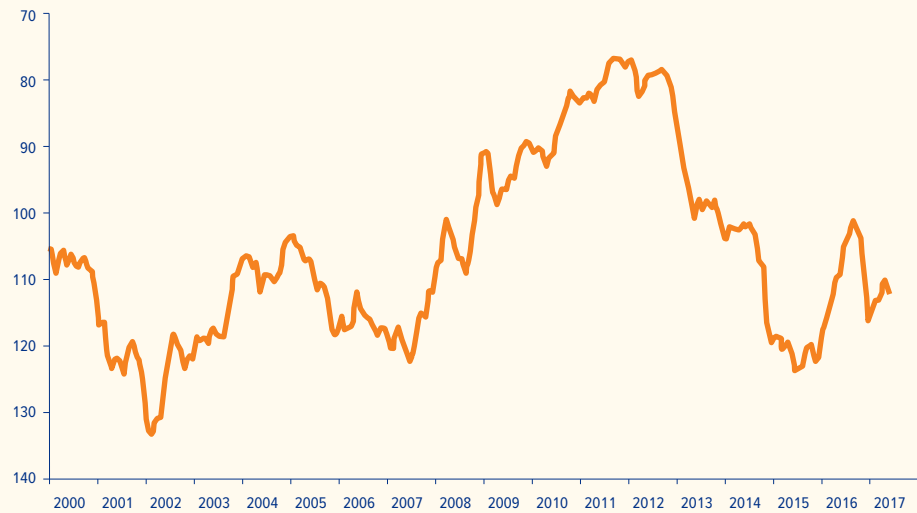
FIGURE 7. THE US DOLLAR AS GLOBAL FUNDING CURRENCY



Source: BIS Annual report (2017)

Notes : 1. Total foreign currency debt of non-bank residents of the respective economies.

FIGURE 8. YEN'S EXCHANGE RATE VS. THE US DOLLAR



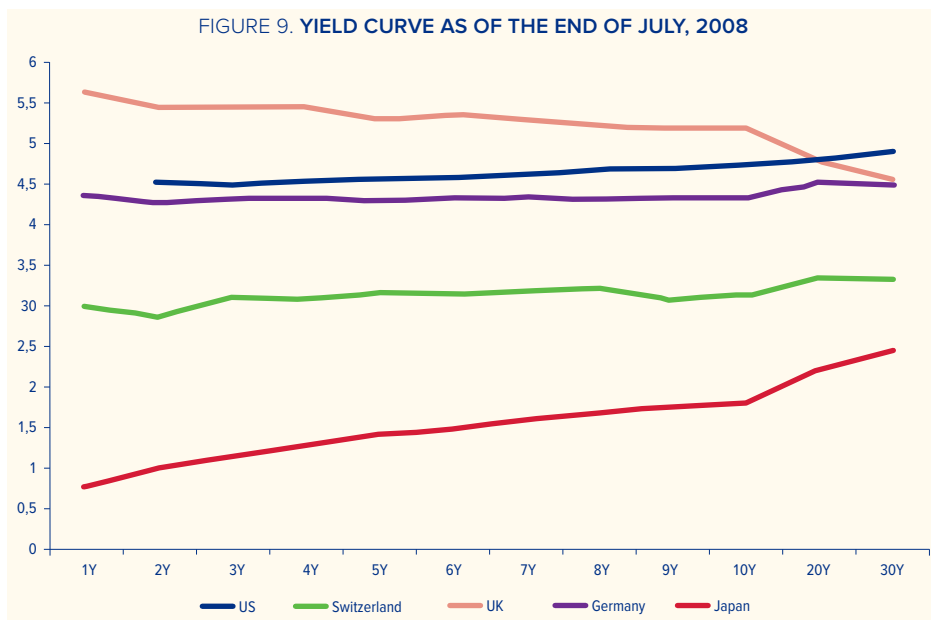


TABLE 1. YIELD CURVE AS OF THE END OF JULY, 2008

	BOJ	FRB	ECB	BOE	SNB
Lender of last resort & market maker of last resort	○	○		○	○
Massive expansion of central bank balance-sheet	○	○	○	○	○
Forward guidance	○	○	○	○	
Purchase of private asset	○	○	○	○	
Negative interest rate	○		○		○
"Yield-curve control"	○				
Unlimited purchase of foreign exchange					○
Explicit coordination between monetary & fiscal policy					

Monetary Policy Communication and Inflation Expectations

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Over the last twenty years, both academic monetary economists and central bankers have come to a consensus that monetary policy communication is an essential part of the conduct of monetary policy and that anchoring inflation expectations is critical to the success of monetary policy. But how should this monetary communication be executed? How should this communication be used to anchor inflation expectations and at what level?

In this paper, I will discuss two aspects of monetary policy communication and inflation expectations. First, I will look at monetary policy communication and the inflation target. Then I will examine how central banks should communicate about the future path of the policy interest rate, which has become known as forward guidance

1. MONETARY POLICY COMMUNICATION AND THE INFLATION TARGET

There are four issues that I address in discussing monetary policy communication and the inflation target.

- The importance of anchoring inflation expectations with an inflation target.
- Should the long-run inflation target be raised?
- Should central banks communicate that they are afraid to overshoot the inflation target?
- Should monetary policy ever try to overshoot the target?

Let's look at each of these in turn.

1. Presented at the Fondo Latinoamericano de Reservas (FLAR) Conference: New Horizons of Global Monetary Policy: Emerging Economies and Latin America: More Questions than Answers," July 13-14, 2017, Cartagena, Colombia. The views expressed here are my own and are not necessarily those of Columbia University, the National Bureau of Economic Research or FLAR. Disclosure of my of my outside compensated activities can be found on my website at <http://www.gsb.columbia.edu/faculty/fmishkin/>

1.1 The Importance of anchoring inflation expectations with an inflation target

The theory (science) of monetary policy (see Clarida, Gali and Gertler, 1999, and Woodford, 2003) shows that anchoring inflation expectations not only stabilizes inflation, but leads to a better tradeoff between minimizing fluctuations of inflation around an objective such as 2% and minimizing fluctuations of output around potential output. A central bank, announced, inflation objective with transparent communication and accountability to achieve this objective, which has been given the name inflation targeting, has proved to be successful in anchoring inflation expectations and improving monetary policy outcomes. (For example, see Bernanke and Mishkin, 1997, Bernanke et al., 1999, and Mishkin and Schmidt-Hebbel, 2002).

Some critics of inflation targeting (e.g., Krugman 2009) have argued that after the global financial crisis we have recently experience, there are deep flaws in the inflation targeting framework. Although the global financial crisis suggests that some modifications to the inflation targeting framework adopted by so many central banks throughout the world might be needed, I would argue that the global financial crisis makes anchoring inflation expectations with inflation targeting even more central to successful monetary policy when a financial crisis occurs.

Anchoring inflation expectations, especially with an inflation target, enhances the ability of a central bank to act as a lender of last resort during a financial crisis. Why? Because it allows the central bank to supply specific sectors of the financial system with needed liquidity in order to prevent them from seizing up without unhinging inflation expectations. If inflation expectations are not anchored, providing such liquidity may lead to inflation expectations rising, leading to higher inflation and a surge in nominal interest rates that can damage the economy. Indeed, anchoring inflation expectations with an inflation target makes it easier for central banks to pursue expansionary monetary policy during a crisis, thereby stabilizing output and unemployment after the economy goes into a downturn.

Anchoring inflation expectations is also key to promoting financial stability in emerging market economies like those in Latin America. Unanchored inflation expectations, which lead to larger fluctuations in the inflation rate, make debt denominated in domestic currency riskier for lenders. The result is that lenders are often only willing to lend if the debt is denominated in foreign currency, which is referred to as *liability dollarization*, because in many countries, especially in Latin America, debt denominated in foreign currencies is often denominated in U.S. dollars. As argued in Mishkin (2006), liability dol-

larization promotes financial instability because depreciation of the domestic currency, leads to a destruction of both financial and non-financial firms' balance sheets, which can trigger a financial crisis. Anchoring inflation expectations, which reduces inflation fluctuations, makes liability dollarization less prevalent, and therefore promotes financial stability. Indeed, better anchored inflation expectations in Latin American countries in recent years has reduced liability dollarization in Latin America and is one reason why economies in the region have been less prone to financial crises than they have been in the past.

1.2 Should the long-run inflation target be raised to above 2%?

The global financial crisis demonstrated both that the zero-lower-bound constraint on monetary policy binds more often than expected and that when this occurs, it is much harder to stimulate the economy and raise inflation (e.g., see Mishkin 2011). The problems with the zero-lower-bound raise the question of whether the optimal inflation rate for a central bank target should be higher than the typical 2% level. With a higher long-run inflation target, the zero-lower-bound constraint would be less likely to occur, and the real interest rate can be driven down to lower levels in the face of adverse aggregate demand shocks. Prominent economists, such as Olivier Blanchard, Paul Krugman and Lawrence Ball, have suggested that the inflation target be raised from the 2% to the 4% level.² With expectations of inflation anchored to this long-run target, when the nominal interest rate is lowered to zero, the real interest rate would be lowered to as low as -4%, rather than -2% with the 2% inflation target. Conventional monetary policy, which involves setting the nominal interest rate, would then be able to ease monetary policy to a greater extent than it could with the lower long-run inflation target. Another way of stating this is to say that the zero lower bound on the policy rate would be less binding with a higher long-run inflation target.

Although the logic of this argument for a higher inflation target is correct, I think that the answer to the question, "Should the long-run inflation target be raised to above 2%" is No. We have to look not only the benefits of a higher inflation target, but also the costs. If it were no more difficult to stabilize the inflation rate at a 4% level than at a 2% level, then the case for raising the inflation target to 4% would be much stronger. However, the history of the inflation process suggests that this is not the case. Inflation rates that accord with the

2. E.g., see Blanchard, Dll'Ariccia and Mauro (2010), Krugman (2014), and Ball (2014).

Greenspan definition of price stability,³ i.e., “the state in which expected changes in the price level do not effectively alter business or household decisions,” seem to be below the 3% level. Once inflation start to rise above this level, the public is likely to believe that price stability is no longer a credible goal of the central bank and then the question arises, if a 4% level of inflation is OK, then why not 6%, or 8%, and so on.

This was the experience in the United States from the 1960’s to the 1980’s. At the beginning of the 1960’s, the inflation rate was below 2% and policymakers believed that they could lower the unemployment rate if they were willing to tolerate inflation rates in the 4 to 5% range. However, when inflation rate began to rise above the 3% level, it kept on rising, leading to the so-called Great Inflation period. Getting inflation back down to the 2% level was then very costly. No central banker wants to go through that again. Indeed, one of the great successes of central banks in the last twenty years is the anchoring of inflation expectations to around the 2% level. Raising the inflation target to 4% could jeopardize this hard-won success, with the result that there no longer would be a credible nominal anchor so crucial to health of the economy.

A second argument against raising the long-run inflation target is that although raising the target might have benefits in the short-run, the costs of higher inflation in terms of the distortions it produces in the economy are ongoing. Thus, although they may not be large in any given year, these costs add up, and in present value terms might outweigh the intermittent benefits obtained from the zero lower bound not being binding in periods such as those we have recently experienced.

1.3 Should central banks be afraid of going above the inflation target?

One of the key benefits of an inflation target is that it anchors inflation expectations at the level of the target, say 2%. However, if a central bank treats the inflation target as a ceiling, that is, it sees an actual inflation rate sometimes exceeding this target level as a failure, then because there are negative shocks to inflation as well as positive ones, its actions will lead to actual inflation outcomes that will on average be less than the target. Rational expectations then implies that inflation expectations will be below the 2% target. Another way of describing the problem of central bank fear of sometimes exceeding the infla-

3. Greenspan apparently first expressed this definition in the July 1996 FOMC meeting (page 51 of the transcript, which can be found at <http://www.federalreserve.gov/monetarypolicy/files/FOMC19960703meeting.pdf>). This definition was later made public in numerous speeches.

tion target is that it makes the inflation target asymmetric, that is, central banks are more troubled by overshoots of the inflation target than undershoots.

This fear of exceeding the inflation target is undesirable for two reasons. First, it results in inflation expectations not being anchored at the target level, which is one of the key purposes of an inflation target. Second, the lower level of inflation expectations that results from an asymmetric inflation target makes the zero-lower-bound constraint more likely to occur, with the undesirable consequences discussed above.

Is this fear of sometimes exceeding the inflation target an important factor in the conduct of monetary policy? Unfortunately, I think the answer is yes. Central bankers have a tendency to be more worried about inflation being too high rather than it being too low. I think this stems from their fear that if inflation ever goes above the inflation target, this might unhinge inflation expectations in the upward direction. This asymmetric view was particularly held by the Bank of Japan prior to the appointment of Haruhiko Kuroda in 2013. Indeed, during his tenure as governor of the Bank of Japan from 1998 to 2003, Masuro Hayami, continually expressed concerns about the dangers of inflation, despite the fact that the Japanese economy was experiencing a prolonged deflation. The lack of concern about inflation being too low led to overly tight monetary policy by the Bank of Japan, as exemplified by the raising of the Bank of Japan's policy rate in 2000, a disastrous policy mistake that ensured a prolonged deflation.

I would argue that the European Central Bank (ECB) has also had an inflation target that is asymmetric. This asymmetric target is reflected in the language that the ECB has used to describe its inflation objective, which is "inflation rates of below, but close to 2%". The emphasis on "below" suggests that undershoots of the target are less problematic than overshoots. The ECB's actual monetary policy decisions in recent years are also consistent with an asymmetric inflation target. Not only has ECB monetary policy easing been too little too late in the face of both a weak economy and inflation that is below 2%, but also the monetary policy tightening when the policy rate was raised in 2011 was clearly a mistake and occurred at the same time that the Fed decided to ease monetary policy by strengthening forward guidance that it would not raise the federal funds rate for several years. The ECB's fear of inflation rising to above 2% has led to monetary policy that has been much too tight and helps explain the difficult situation the Eurozone is now in, where inflation is too low and the economy is still very weak.

The Federal Reserve has been much less susceptible to asymmetry in its inflation objective. The Fed's monetary policy has been much more accommo-

dative in recent years than the ECB's. But even here, market participants have been concerned that many Federal Reserve officials have not been sufficiently worried about the continuing undershoot of the Fed's 2% inflation objective. In order to allay these concerns, in January 2016 the Fed's FOMC modified its *Statement on Longer-run Goals and Monetary Policy Strategy* by affirming that its inflation goal of 2% is symmetric.

The bottom line is that central bankers have a tendency to be more afraid of going above the inflation target rather than being below it, a phenomena that I like to label as "inflation phobia." This has led not only to monetary policy that has been too tight in recent years, but to a drop in inflation expectations that is very problematic. So the answer to the question, "Should central banks be afraid of going above the inflation target," is No. However, this answer is conditional on central banks continuing to commit to a long-run inflation target of say 2%, implying that overshoots of the target will be temporary. Fear of sometimes exceeding the inflation target can be dangerous, leading to inflation that is too low and a possible unanchoring of inflation expectations to below the 2% level.

1.4 Should central banks try to overshoot the inflation target?

I have argued that central banks should have a symmetric inflation target, overshooting the target as often as they undershoot the target. However, the United States, Europe and Japan are currently in a situation in which inflation has undershot the 2% inflation target for a number of years. Should the Federal Reserve, the European Central Bank and the Bank of Japan commit to try to overshoot the 2% inflation goal. I believe the answer is Yes, as long as there continues to be a commitment to the 2% long-run inflation objective.

A traditional inflation targeting regime treats bygones as bygones and so tries to achieve the inflation target, say 2%, no matter what has happened in the past. Woodford (2003) has provided a compelling theoretical argument that monetary policy should, in contrast, be *history-dependent*, that is, if the inflation target has been undershot in the recent past, monetary policy should strive to overshoot it in the near future. Researchers such as Svensson (1999), Dittmar, Gavin and Prescott (1999, 2000) Vestin (2000, 2006) and Woodford (2003) have shown that a price-level target, which displays this type of history-dependence, produces less output variance than an inflation target. The reasoning is straightforward. A negative demand shock that results in the price level falling below its target path, say a 2% growth path, requires monetary policy to try to raise the price level back to its 2% target growth path, so that infla-

tion will temporarily rise above 2%. The rise in expected inflation then lowers the real interest rate, thereby stimulating aggregate demand and economic activity. Hence a history-dependent price-level target is an automatic stabilizer: a negative demand shock leads to stabilizing expectations, which stabilize the economy. The mechanism is even more effective when the negative demand shock is so large that the zero lower bound on interest rates becomes binding, as Eggertsson and Woodford (2003) point out.

Another history-dependent policy that is quite similar to a price-level target is a nominal GDP target. Eggertsson and Woodford (2003, 2004) argue for a target criterion of an output-adjusted price level which is the log of a price index plus the output gap multiplied by a coefficient (which reflects the relative weight on the output gap versus inflation stabilization). Because this concept of an “output-gap adjusted price level” might be hard for the public to understand, Woodford (2012) suggests that a simpler criterion that would work nearly as well would have the target criterion be a nominal GDP path which grows at the inflation target (e.g. 2%) plus the growth rate of potential GDP. (If potential GDP growth was estimated to be at a 2% annual rate, this would imply a growth rate of the nominal GDP path at a 4% rate.)

There are formidable challenges to adoption of either a price-level or a nominal-GDP target. First it is more difficult to explain to the public and financial market participants that the central bank is aiming to hit a price-level or nominal GDP path where the actual level of the price level or nominal GDP is changing over time. Targeting a level of inflation such as 2% is much more straightforward because this 2% number is kept constant. Second, when inflation temporarily rises above 2%, as the central bank intends, the central bank needs to make sure that the public understands that it is not weakening its commitment to the long-run 2% inflation target.

A nominal GDP target has an additional difficulty because it requires that the central bank take a stance on the number for the growth rate of potential GDP, a number on which there is a great deal of uncertainty. This problem would be particularly severe if the central bank ignored what was actually happening to inflation in estimating potential GDP and the output gap, a mistake that the Federal Reserve made in the 1970s (e.g., see Orphanides (2001).

The challenges described above help explain why central banks have not adopted either a price-level or a nominal-GDP target. However, there is a way to skin the cat to obtain the benefits of a history-dependent monetary policy with an approach that can be readily explained to the public and the markets. This approach involves indicating that the 2% inflation target should be for an *average* over a particular period rather than for a particular future date, such

as two years ahead. This modification is one that would make the inflation target history dependent and yet would be easy to explain. If the inflation had been running at a rate of 1.5% for several years, then the central bank would explain that to meet the 2% inflation target on average, it would have to shoot for an inflation rate of 2.5% for several years. However, this is no way weakens the commitment to the 2% long-run inflation objective. This policy would be particularly effective when the zero-lower-bound constraint is binding because the higher inflation expectation of 2.5% would lower the real interest rate, thereby providing more stimulus to the economy. This modification to the inflation target would also have the benefit of encouraging a central bank to actually pursue more expansionary monetary policy in the face of negative aggregate demand shocks.

This modification to the inflation target is not a theoretical curiosity. Indeed, it has been adopted by the Reserve Bank of Australia when, starting in the mid- 1990s, it used the following language to describe its inflation target: “The Governor and the Treasurer have agreed that the appropriate target for monetary policy in Australia is to achieve an inflation rate of 2-3 percent, on *average* [my italics], over the cycle.” With this type of inflation target, Australia has arguably had the best monetary policy outcomes of any advanced economy in the world, with an average inflation rate since 1995 of 2.7%, which is very close to the 2.5% midpoint of its inflation target range, while the Australian economy has not had a recession in over twenty-five years. (Of course, luck and other policies may have played an important role in producing these excellent outcomes.)

The empirical case for the benefits of a central banking aiming to overshoot the 2% inflation target has been provided by Curdia (2016). This paper conducts an exercise asking what would be the evolution of the U.S. economy starting in 2016 if monetary policy was based on optimal control, in which the policy rate is set to maximize an objective function in which inflation is stabilized around 2% and output is stabilized around potential output, while avoiding excessive interest rate volatility. Under this optimal control policy, the inflation rate rises as much as 0.4 percentage points above the 2% target and stays above 2% for five years. The paper thus provides empirical support for a history-dependent monetary policy that overshoots the inflation target of 2% temporarily after the inflation rate has been below 2% for a number of years. Note that this policy is exactly what would transpire if the Fed committed to an inflation target that is for an *average* over a particular period, which could either be over the cycle as has been adopted by the Reserve Bank of Australia, or alternatively could be for a particular period, say a moving average over ten years.

Given that inflation has been below 2% for a number of years in the United States, Europe and Japan, the analysis here suggests that the Federal Reserve, the European Central Bank and the Bank of Japan should commit to more expansionary monetary policy to achieve inflation above the 2% level for the next several years. However, this should be done with a continuing commitment to a long-run inflation target of 2%, however, one that is modified to be for average inflation over a period such as the business cycle.

2. MONETARY POLICY COMMUNICATION AND FORWARD GUIDANCE

During normal times, the monetary authorities conduct monetary policy using conventional tools, principally by conducting open market operations in short-term government debt in order to set a short-term policy rate, such as, the federal funds rate in the United States. However, with the zero-lower-bound constraint becoming binding in so many advanced economies in recent years, central banks have had to adopt nonconventional monetary policy tools, including: 1) liquidity provision in which central banks expand lending to both banks and other financial institutions; 2) asset purchases of both government securities and private assets to lower borrowing costs for households; 3) quantitative easing, in which central banks greatly expand their balance sheets; and 4) forward guidance, in which central banks manage expectations by announcing a path for future policy rates. Because my focus in this paper is monetary policy communications, I focus on recent research that I have been engaged in on forward guidance (Feroli, Greenlaw, Hooper, Mishkin and Sufi, 2016, henceforth Feroli, et. al., 2016).

2.1 Theory and Evidence

The science of monetary policy starts by specifying an objective function that represents economic welfare, that is, the well-being of households in the economy, and then maximises this objective function, subject to constraints provided by a model of the economy (see Woodford, 2003). Optimal monetary policy then involves a central bank's commitment to a target criterion, which involves trading off deviations of inflation from its target level with the output gap, the deviation of output from potential. Optimizing this target criterion then results in the setting of the policy instrument, such as the federal funds rate, which reacts to the current and expected future states of the economy. Forward guidance so the public understands how the central bank sets the po-

lity instrument reaction function can improve monetary policy performance because it leads to the right expectations dynamics.

To see why consider a negative shock to aggregate demand when both the inflation gap and output gap are at zero. The result would be that both the inflation and output gaps would turn negative in the future and an optimal monetary policy reaction function would indicate that the federal funds rate path would be lowered. If the Federal Reserve's reaction function is well understood by the public, then without the Fed taking any actions, expectations of the future federal funds rate would decline, which would result in lower longer-term interest rates and stimulate the economy. The result would then be an immediate offset to the negative aggregate demand shock which would help stabilize the economy.

Another way of stating this result is that successful central bank communication about the monetary policy reaction function would enable the markets to do a lot of the work for the central bank. If the monetary policy reaction to shocks is predictable, expectation dynamics work to tighten or loosen financial conditions appropriately when there are shocks to the economy.

One way to provide information about the monetary policy reaction function is for the central bank to conduct *data-based* forward guidance, that is, provide information on the future path of the policy rate *conditional* on the data that is expected over the policy horizon. This means not only providing information on the policy path given the central bank's forecast, but also to indicate how that path changes if and when the central bank's forecast changes.

The second type of forward guidance is *time-based* forward guidance in which a central bank commits to set the policy rate at specific levels at specific calendar dates. An extreme version of time-based forward guidance would be a central bank committing not to raise interest rates from their current level for several years. Such a commitment would ignore incoming information, which is why the forward guidance is *time-based*.

There is an important subtle issue about the benefits of a central bank communicating a predictable policy reaction function. At first glance, the analysis seems to provide a very strong argument for a central bank adopting an instrument rule like the Taylor rule. After all, a Taylor rule is a very simple way of specifying a predictable monetary policy reaction function. However, the theory of optimal monetary policy suggests that the policy reaction function changes over time, either as monetary policymakers learn more about how the economy works or when the structure of the economy changes. Furthermore, the policy reaction function might need to be modified when there are unforeseen contingencies that were previously not part of the reaction function, but

now need to be introduced into the reaction function. Judgement should also certainly be a feature of optimal policy as demonstrated by Svensson (2005) and should also be part of a monetary policy reaction function. A Taylor rule, which does not change over time, can therefore be far from an optimal policy.

Unlike a Taylor rule, *data-dependent* forward guidance can be consistent with optimal monetary policy, but this requires that it changes if the optimal monetary policy reaction function changes. This requires that projections of the future policy path not only must be altered when forecasts of the economy change, but also when the central bank has reasons to expect that the model of the economy is changing. *Data-dependent* forward guidance thus requires substantial communication to explain not only the past policy reaction function, but also any reasons for changes in the reaction function. Explaining how and why the policy reaction function might be changing, a requirement of *data-dependent* forward guidance, is by no means an easy task. As a result, it might be hard to credibly communicate *data-based* forward guidance.

Consider what optimal, data-dependent forward guidance might have looked like when the global financial crisis started in August of 2007. At the time, inflation was rising and the economy was still growing rapidly in the third quarter. The Federal Reserve dramatically deviated from its previous reaction function, which was not too far off from a Taylor rule, by aggressively cutting the federal funds rate even before the economy and inflation had turned down. If the Fed had been providing forward guidance, it would have needed to explain that the disruption to financial markets required a change in the policy reaction function, with much easier monetary policy in the future in response to financial shocks than had been anticipated earlier. If this communication led to the markets understanding that there had been a shift in the policy reaction function, longer-term interest rates would have fallen more rapidly in response to news that the financial disruption was getting worse. This would have helped effective monetary policy be even more expansionary than it otherwise would have been, helping offset some of the negative shocks to the economy from the ongoing financial crisis.

The central argument of Feroli et. al. (2016) is that Federal Reserve communication in recent years has relied too heavily on time-based forward guidance. There are three main disadvantages to *time-based* forward guidance. The first is that time-based forward guidance can lead to bad expectations dynamics by market participants, which can in turn reduce the sensitivity of interest rates to macroeconomic news. In many circumstances, this is the opposite of what the central bank is trying to accomplish. Second, time-based forward guidance may lower uncertainty, thereby encouraging leverage which might promote fi-

nancial instabiliy. Third, time-based forward guidance can constrain central bankers in a sub-optimal fashion, which can then lead to market confusion and a reduction in the credibility of the central bank. We look at each of these in turn.

2.1.1 *Expectation Dynamics*

The benefits of forward guidance in setting the correct expectations dynamics occur only if the forward guidance is *data-dependent*, and *not* if it is *time-dependent*. Forward guidance that is *data-dependent* is conditional on the state of the economy. As the state of the economy changes, the projected path of the policy rate should change as well. For example, if there is a strong employment report in which there is higher job growth and stronger growth of wages so that the Fed and the market's forecast of real GDP growth and inflation rises, then the projected policy path and longer-term interest rates should shift upwards in order to stabilize output and inflation.

If instead, the forward guidance is *time-dependent*—the Fed says that the federal funds rate will be set to particular values at particular date— then when the inflation and output forecasts rises, there is no change in the policy path. Now the inflation shock does not lead to an automatic effective tightening of monetary policy.

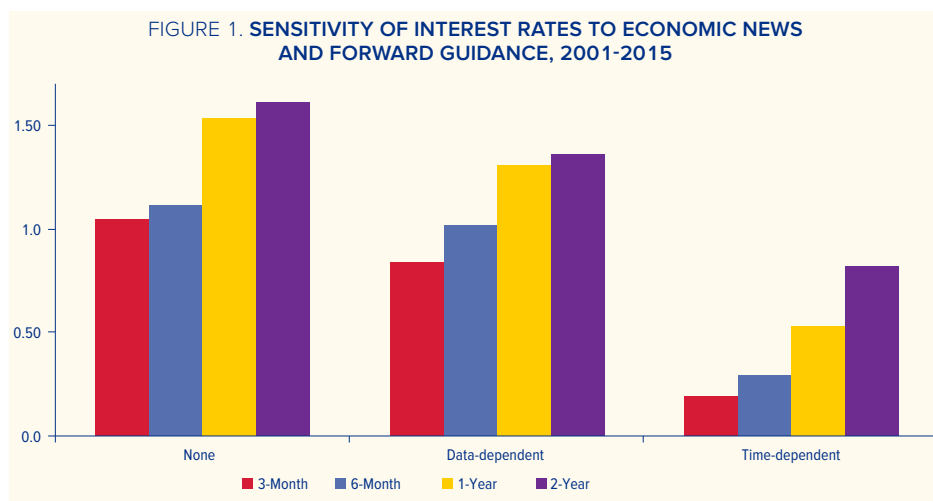
Indeed, time-dependent forward guidance can lead to expectation dynamics that make things even worse. Again consider the situation in which the positive employment report leads to expectations that inflation will be higher than previously expected. With *time-dependent* forward guidance, the projected policy path does not change, but expected inflation rises. This means that the expected path of future *real* interest rates, policy interest rates minus expected inflation, now declines. The effect of the positive employment report shock is then an effective easing of monetary policy, the opposite to what would be an optimal effective monetary policy response.

This undesirable feature of *time-dependent* forward guidance is exactly the same problem created by the zero lower bound for the policy rate, as discussed in Eggertson and Woodford (2003). They point out that when there is a negative aggregate demand shock and the policy rate is at the zero lower bound, then a negative aggregate demand shock leads to a decline in expected inflation and therefore a rise in real interest rates, which further weakens aggregate demand. Negative aggregate demand shocks when the zero lower bound is binding therefore can lead to prolonged economic downturns. *Time-dependent* forward guidance creates a similar problem because, just as occurs when the policy rate is at the zero lower bound, a negative aggregate demand shock leaves the pro-

jected future path of the policy rate unchanged, so that real interest rates rise, thereby propagating the negative aggregate demand shock further.

Another way of stating the above argument is that *data-dependent* forward guidance leads to beneficial expectation dynamics, while *time-dependent* forward guidance leads to perverse expectation dynamics. Does empirical evidence support the theory that time-based forward guidance leads to bad expectation dynamics because it leads to interest rates becoming insensitive to macroeconomic news? Feroli et. al. (2016) find that the answer is yes.

Using the methodology developed by Swanson and Williams (2014), they evaluate how responsive interest rates were to economics news when the Federal Reserve used time-based forward guidance, data-based forward guidance or not forward guidance. Chart 3.3 from Feroli et. al. (2016) reproduced as Figure 1 below shows the sensitivity of interest rates to macroeconomic news when the FOMC follows *time-based* forward guidance, *data-based* forward guidance, or no forward guidance. We see that date-based forward guidance is associated with lower sensitivity of interest rates to macroeconomic news at all of the maturities we examine.



Further, the result in Figure 1 is not driven by the zero-lower bound constraint during the post Great-Recession period. Even excluding the zero lower bound period, the sensitivity of interest rates to macroeconomic news is lower during periods in which FOMC communication on forward guidance is more strongly time-dependent.

2.1.2 Uncertainty and Leverage

The knowledge that monetary policy actions are certain at given date may lull the markets into thinking there is less uncertainty in the economy than is actually the case. The result may be an underassessment of risk, leading to excessive risk taking. Indeed, the almost total predictability of FOMC actions from 2004 to 2006 was associated with very low risk premiums in credit markets. The predictability of monetary policy in this period may therefore have contributed to the excessive risk taking that ultimately helped trigger the global financial crisis. Empirical evidence in Feroli et. al. (2016) supports this conjecture. *Time-based* forward guidance is associated with lower volatility of interest rates, and this lower volatility is associated with higher leverage of hedge fund clients of a large prime brokerage.

2.1.3 Time-based Forward Guidance Can Box In Monetary Policy and Weaken Central Bank Credibility

Another disadvantage of time-based forward guidance is that it effectively boxes in the central bank, when new data suggests a need to revise the policy path. One side of the box is that there may be a tendency to stick to a previously announced path. A particularly cogent example is the period from 2004 to 2006 when the FOMC announced that “policy accommodation can be removed at a pace that is likely to be measured,” and then raised the federal funds rate at seventeen consecutive FOMC meetings by exactly 25 basis points. In this case, policy actions at each meeting were not reacting to current data, these actions were almost surely not consistent with an optimal reaction function. Indeed, monetary policy during this period has been subject to severe criticism. In 2007 and 2008 inflation overshot any reasonable estimate of the Fed’s desired inflation objective. Some critics (e.g., Taylor, 2007) have even argued that monetary policy during this period was the primary cause of the housing bubble, whose collapse helped bring on the most severe financial crisis since the Great Depression.

The other side of the box occurs if a central bank decides to deviate from a previously announced policy path. In this case, markets may take the view that the central bank has flip-flopped and broken its word which damages the central bank’s credibility. Feroli et. al. (2016) examine three recent episodes of time-based forward guidance in which the Federal Reserve backtracked on its prior announced policy path: the June 2013 taper tantrum when markets reacted negatively to news that the Federal Reserve would curtail purchases of long-term securities unexpectedly, and the September 2013 and September 2015 FOMC meetings in which market expectations had been set up earlier in the year for action later in the year (September) of monetary policy tightening,

which did not then occur. In these three instances, the Federal Reserve received particularly low scores for communication in a survey of primary dealers conducted by the Federal Reserve Bank of New York.

2.1.4 Time-based Forward Guidance Is Easier to Explain

Time-based forward guidance, however, does have one potential advantage over data-based guidance. Data-based guidance can be very hard to explain because it is not always easy to describe the monetary policy reaction function, and this is particularly true when the monetary policy authorities are not responding directly to quantifiable economic data, but rather to judgement about less quantifiable factors that could have an important impact on the economy. The possible lack of clarity of data-based forward guidance may sometimes make it ineffective, either because the market does not understand it, or may not find it credible. *Time-based* forward guidance, on the other hand, is easy to explain and is much clearer. Also its simplicity makes it more credible because it is easier to assess whether it is being carried out or not. *Time-based* guidance is not only more easily understood, but also for that reason more powerful than data-based guidance. For example, strong time-based forward guidance in both August 2011 and October 2015 shifted market expectations of future interest rates dramatically.

2.1.5 Summary: Lessons About the Effectiveness of Forward Guidance

The analysis above can be summarized by the following six lessons about the effectiveness of forward guidance.

1. Data-based forward guidance has desirable expectation dynamics which allows markets to do a lot of the work for central banks.
2. Time-based forward guidance has undesirable expectation dynamics which can amplify negative shocks.
3. Empirical evidence supports a weaker response to macroeconomic news when there is time-based forward guidance.
4. Empirical evidence finds that time-based forward guidance results in lower uncertainty, and although at times this might be desirable when the economy requires more stimulus, it does lead to higher leverage which could make the financial system less stable.
5. Time-based forward guidance has sometimes put the Federal Reserve in a box leading either to inappropriate monetary policy (2004-2006) or a view that the Fed has flip-flopped, leading to confusion and weakening of its credibility (June 2013, September 2013, September 2015).
6. Time-based forward guidance, however, does have the advantage that it can be more powerful because it is easily understood.

2.2 Recommendations to Improve Forward Guidance

The lessons above provide guidance as to how Fed communication about forward guidance can be improved. Feroli et al. (2016) discuss four possible suggestions to improve communication about forward guidance.

1. *Time-based forward guidance should be used in only very unusual circumstances: (1) when the zero-lower-bound on monetary policy is binding and more expansionary monetary policy is required. And (2) when all other efforts to communicate the central bank's reaction function to markets have been unsuccessful. However, time-based forward guidance should not be used only because market forecasts of economic outcomes differ from a central bank's forecasts.*

The lessons above suggest that time-based forward guidance has several undesirable attributes. Not only does it lead to undesirable expectation dynamics, but it puts the monetary policy authorities in a box, in which they either stick to the time-based forward guidance and pursue inappropriate policies, or alternatively deviate from this forward guidance, which can cause confusion and weakens the Fed's credibility. These undesirable characteristics of time-based forward guidance might lead to the conclusion that time-based forward guidance should never be used.

In unusual circumstances, such as when monetary policy is constrained by the zero-lower-bound and it needs to be far more expansionary, time-based forward guidance might be the most effective monetary policy tool available to stimulate the economy. Other policy tools may have undesirable consequences, e.g., quantitative easing expanded Fed's balance sheet that could lead to problems in the future (see Greenlaw, Hamilton, Hooper and Mishkin, 2013), while data-based forward guidance may be less effective and/or less credible because it is less easily understood. In situations like this, it may be better to pursue time-based forward guidance than doing nothing at all. In this light, time-based guidance may have been called for and appears to have been used effectively during 2009 to 2013 period when the zero-lower bound was binding and yet slack in the economy was very large and the inflation rate was way too low. The Federal Reserve needed to stimulate the economy and the time-based forward guidance used at the time was employed effectively alongside quantitative easing to lower long-term interest rates and stimulate the economy.

Is time-based forward guidance ever justified when the zero lower bound is not binding? This is a more controversial question. *Time-based* forward

guidance should *not* be used just because the central bank's forecasts of the economy disagree with the market's forecasts. However, time-based forward guidance away from the zero lower bound could be justified when the market's perception of the central bank's *reaction function* is incorrect, and all other efforts by the central bank to communicate its reaction function have failed. There are dangers in following this approach, because it may be hard to distinguish whether the market disagreement with the central bank on the future policy path is the result of differences in *forecasts* on economic outcomes or the difference in views on the central bank's *reaction function*. In view of this uncertainty, central banks should exercise extreme caution before using *time-based* forward guidance for this purpose.

2. *Data-based forward guidance in which there is a projected path of policy rates may be too hard to explain and make credible, so it might be better not to do this type of forward guidance at all and instead revert to a weaker form of forward guidance.*

Data-based forward guidance with a projected path of policy rates is a set of guidelines provided by the central bank that explains what interest rates would be expected to prevail given different possible future economic circumstances. Such data-based forward guidance creates desirable expectation dynamics that encourages markets to do some heavy lifting for the central bank, for example by immediately easing financial conditions when the economy is hit by negative shocks. However, this desirable feature of data-based forward guidance depends on two big *ifs*: It only produces desirable expectation dynamics *if* it is clearly understood by markets and *if* it is credible. Another way of saying this is that data-based forward guidance is darn hard to do.

Not only is data-dependent forward guidance hard to do, but as we have seen once there is a projected path of policy rates, even if the central bank clearly states that the actual path depends on the data outcomes, the markets and media may not get this. Thus trying to get any forward guidance to be *data-dependent* may not work and will always be interpreted as time-dependent. Then pursuing forward guidance even if data-dependence is intended, may lead to the undesirable expectations dynamics associated with time-dependence.

In addition, because data-based forward guidance in which there is a projected policy path is hard to explain, it is not clear that this form of *data-based* forward guidance will provide more information on the monetary policy reaction function than no forward guidance when the zero-lower-bound is not binding. Another way of saying this is that actions may speak louder than

words so data-based forward guidance using a projected policy path might not be more effective than no guidance at all. Figure 1 provides some support for this view because it shows that longer-term interest rate reactions to data are just as strong when there is data-based forward guidance as when there was no forward guidance at all.

Given these problems, Feroli et al. (2016) suggest that it might be better not to provide forward guidance on the future policy path at all. Indeed some central banks, such as the Bank of Canada, have argued that forward guidance of this type should be abandoned in normal times. Then Governor Carney (2012) stated that “Overall research has not generally found that publishing a path leads to better outcomes”; while the current Governor Poloz (2013) stated that “Essentially, the net effect of dropping forward guidance is to shift some of the policy uncertainty from the central bank’s plate back onto the market’s plate, a more desirable situation in normal times.”

The Bank of Canada has avoided providing explicit forward guidance on the future path of the policy rate with one notable exception, April 2009 when it committed to keep its policy rate at 0.25% for a period of time. However, this period was one where the zero-lower-bound was binding and the Canadian economy was weak and inflation too low, so the use of time-based forward guidance can be justified.

However, there is a weaker form of data-based forward guidance, which has been used by the Federal Reserve in its regular post-meeting statements since their inception in 1999. This does not involve a projected path of policy rates but does specify a “balance of risks” that is tied to specific economic outcomes and serves as an implicit “policy bias.” The advantage of this approach is that it provides some forward guidance in the near term, but has less risk of a market misinterpretation that it is a time-based commitment. Because it does not directly discuss the future policy path, this weak form of forward guidance may convey less information about the reaction of future policy to incoming economic data. This approach could be improved by reverting to the more explicit policy bias or directive tilt formulation that was initially introduced in 1999 but soon dropped in favor of the less explicit balance of risks formulation. The balance of risks refers to economic conditions, and on some occasions these risks have been conflicting. For example, in the late summer and fall of 2007 as the financial crisis was growing, the Committee saw both upside risks to inflation and downside risks to growth. While it did give some indication of how these risks were balanced, a clearer signal to the markets would have been to say more explicitly how it saw the current policy bias, or which direction it expected to see policy move if a change were to occur at the next meeting.

3. *Make forward guidance more data-dependent by emphasizing the uncertainty around the policy path and how the path would change with economic outcomes.*

Despite the difficulties of doing *data-dependent* forward guidance with a future policy rate path successfully, there are two arguments for central banks to stick with this form of forward guidance, but make it more effective.

First, with the publication of the projected policy rate path, a central bank is stuck with this form of forward guidance. One problem with increases in transparency is that they can never be taken back. Once the increase in transparency occurs, going back on it is likely to be viewed by the public and the politicians as an attempt to hide something. This would be particularly true in the current political environment in which the Federal Reserve is continually under attack. One example is the taping of the FOMC meetings and publication of transcripts five years later. Mishkin (2004) has argued that transparency can go too far and that publication of the transcripts has been detrimental to good policymaking. Not being able to take back transparency means that the policy rate projections are here to stay and the Fed cannot avoid forward guidance because these projections will be interpreted as such.

Second, data-based forward guidance with a projected policy path can provide more information about the policy reaction function than no forward guidance at all. Clearly, when the zero-lower-bound is binding so there is no available action on the policy rate, there is nothing to be gleaned from a central bank's policy actions about its reaction function. However, even when the zero-lower-bound is not binding, the information about the policy reaction function can only be obtained over time as more data on policy actions become available. Furthermore, there are times when either unforeseen circumstances or learning about how the economy works requires a change in the reaction function. Deriving the policy reaction function from past data would then be misleading about the current policy reaction function. Data-based forward guidance using a policy path, in contrast to no guidance, can provide information on changes in the policy reaction function because of unforeseen events or changes in a central bank's view of how the economy works.

But, as discussed, data-based forward guidance which provides a projected policy path is hard to do and may lead to interpretation as time-based. Feroli et al. (2016) has two recommendations as to how forward guidance can be improved to avoid these problems.

First, any discussion of data-based forward guidance requires that the public and markets understand that there is tremendous uncertainty about the outcomes of

the actual policy path because of uncertainty about future economic data. One excellent approach to doing so is that used by the central bank of Norway, the Norges Bank. The Norges bank does provide a baseline projected policy path, but it also provides a fan chart showing the confidence intervals around the baseline policy path. However, the governance structure of the Federal Reserve System makes providing such a fan chart very difficult. There are up to nineteen participants (seven governors and twelve Federal Reserve Bank presidents) in the FOMC meeting that make policy decisions. It would be extremely difficult to derive a probability distribution for the path of future policy rates from these participants.

Nevertheless, even if a fan chart for the future path of the policy rate is impossible to produce, Federal Reserve officials could provide far more communication on how uncertain the future policy path actually is. Indeed, as is true for any probability distribution, Federal Reserve officials could emphasize that the probability that the actual policy path will match the median of the FOMC participants' policy path is necessarily near zero. Fed communication by individual FOMC participants, particularly the Chair, should provide far more information on the uncertainty about where future policy rates might be. Indeed, one possibility is that individual FOMC participants could provide information about how uncertain they are about their views of where policy rates should be in the future.

Second, information about how the policy path might change if data comes in differently than expected would provide far more information about the policy reaction function than is currently provided. The Norges Bank does this by providing several scenarios as to how the policy path would change when economic outcomes change. Again, because the FOMC cannot speak with one voice, it might be up to FOMC participants to describe these different scenarios. Alternatively, the FOMC might delegate to the Chair to provide information on how the committee's view of the future policy path might change under different scenarios for data outcomes.

3. CONCLUDING REMARKS

The recent global financial crisis has taught us that monetary policy communication and the anchoring of inflation expectations has become even more crucial to successful monetary policy. In this paper I make several recommendations on how central banks should communicate. First, the long-run inflation target should not be raised beyond the current levels of this target, but that central banks should communicate that they are not afraid of going above the inflation target and at times might even want to overshoot the inflation target. Second,

time-based forward guidance should only be used in extremely unusual circumstances when: 1) the zero-lower bound on monetary policy is binding and more expansionary policy is needed, or 2) exhaustive efforts to communicate the central bank's reaction function to markets has failed. Although data-based forward guidance, in which the central bank provides information about how the future policy path reacts to incoming economic data, leads to desirable expectation dynamics that enables the markets to do some of the heavy lifting for the central bank, it is very hard to provide such guidance without it being misinterpreted as time-based forward guidance, with its undesirable characteristics. There are two responses to the view that this form of *data-based* forward guidance is hard to do. One is to abandon doing it altogether. The alternative is to take steps discussed in the paper to make this kind of forward guidance clearer and less subject to misinterpretation as *time-based* forward guidance.

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FLAR Economic Studies Conference: “Communicating Monetary Policy”

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This talk examines the various dimensions of Federal Reserve communication with the public and financial markets. Central bank communication is important because individuals’ economic decisions are based on *expectations* of future policies. Thus, to achieve the Federal Reserve’s mandated goals of stable prices and maximum employment, Fed policy needs to be credible and transparent. Achieving both requires clear communication of policies and actions.

The primary avenues of Fed communication include the policy statement after each FOMC meeting, the associated minutes released three weeks after the meeting, the Chair’s quarterly press conference, and speeches, testimonies, and interviews by Federal Reserve Governors and Reserve Bank Presidents. The frequency and form of these avenues of communication have changed since the adoption of unconventional monetary policy.

The post-meeting policy statement previously focused on the state of the economy and reasons for raising or lowering the policy rate, while less was said about the future path of interest rate changes. After the nominal federal funds target rate reached its zero lower bound (ZLB) in December 2008, the FOMC provided monetary accommodation through, first, balance sheet adjustments and other unconventional policies and, second, influencing the public’s *expectations* of the future direction and level of the federal funds target rate. To accomplish these objectives, the post-meeting statement had to take on a larger role in two key dimensions. First, the meeting statement increased in length. During the ZLB period, the number of words in each statement averaged 580, compared with just 223 before. Second, the statements incorporated more complex economic terms and analysis.¹

1. Complexity is measured by the Flesch-Kincaid Reading Grade Level. The reading level averaged 16.4 during the ZLB period, compared with 13.5 prior.

The ZLB period also witnessed increased communication, via public remarks, by Reserve Bank Presidents. Many Bank Presidents used speeches and interviews as a method to provide forward guidance, for policy purposes, to the financial markets and the public. Interestingly, though, the FOMC Chair and Governors delivered public remarks slightly less frequently over the zero lower bound period.

In addition to more frequent and explicit forms of communication, the FOMC has adopted several new forms of communication to further increase transparency. These included its “Statement of Longer-Term Goals and Monetary Policy Strategy,” “Policy Normalization Principles and Plans,” and “Summary of Economic Projections” (SEP). The first two are meant to provide clarity on the Fed’s dual mandate and balance sheet, respectively, while the SEP conveys projections for four key macroeconomic variables. In addition, the SEP conveys each FOMC participant’s assessment of appropriate monetary policy, a syndicated by their federal funds rate projections over the short-, medium-, and longer-term horizons. The latter aspect of the SEP is known more colloquially as the “dotplot.”

While the FOMC has unequivocally ramped up its communication efforts over the past decade, the goal of this presentation is to assess both its usefulness and financial market impact. Regarding the former, the Hutchins Center on Fiscal & Monetary Policy at Brookings conducted a survey of academic and non-academic economists and Fed watchers to assess the effectiveness of different forms of Fed communication. Perhaps not surprisingly, the FOMC statement, speeches by the FOMC Chair, and quarterly press conferences were deemed the most useful forms of Fed communication. On net, academics generally found these forms of communication more useful than the private sector economists and Fed watchers did.

Moreover, both academics and those in the private sector found the SEP’s dot plot more useless than useful. This may reflect a broader point about the Fed’s credibility, as FOMC participants have persistently over-projected the federal funds target rate path, perhaps leading to skepticism about these projections. But along with these persistent over-projections, the dot plot also employs the highly restrictive forecasting assumption of “appropriate monetary policy,” ignoring important conditional assumptions, such as the possible future path of crude oil prices. Moreover, the range of participants’ views may not dovetail with the policy path outlined in the FOMC statement, which can further complicate the communicated outlook and diminish the tool’s effectiveness.

The Brookings study also revealed that survey participants believe that Reserve Bank Presidents’ speeches are less useful compared with other forms

of Fed communication. Recall that the number of public remarks by Reserve Bank Presidents was trending up while the number by the Chair and non-Chair Governors was trending slightly down during the ZLB period. Thus, those who discount the effectiveness of (increased) communication by Reserve Bank Presidents may believe that their disparate views on the future policy path merely increases the market's uncertainty about the future direction of policy. One can envision counter arguments to this assessment, such as the desirability of avoiding group think.

With these results in mind, we conducted an event study to examine how changes in several financial market variables (e.g., Treasury yields and market volatility) responded to various forms of Federal Reserve communication. Our analysis uses daily data and begins in November 2007, which is the month of the first SEP release. We gauge the market's reaction to FOMC statements, FOMC minutes, unconventional policy actions (e.g., large-scale asset purchases), speeches by the FOMC Chair, and the monthly employment report. Both the mean absolute change and cumulative change were calculated for key financial data, capturing the associated magnitude and directional bias, respectively, of each event's impact.

Our results indicate that the mean absolute change in the 10-year Treasury yield and the VIX (equity market volatility) are larger on FOMC communication days than non-FOMC communication days. Within our sample of FOMC communication events, the mean absolute change for stock and bond market volatility measures was notably larger for unconventional policy actions than that for the release of the FOMC statement or minutes. This is expected, as the specifics of unconventional policy measures were not fully known and, by definition, were a deviation from traditional stimulus measures.

When accounting for sign, the 10-year Treasury yield exhibits strong upward bias for releases of FOMC minutes, but a sharp downward bias for releases of FOMC statements. One possible explanation is that the minutes—which provide additional insight into the Fed's reaction function *ex post*, as well as more fully flesh out near-term risks to the economic outlook—help to reduce the near-term uncertainty about the future stance of policy for market participants. On the other hand, unconventional policy announcements generated a minimal cumulative change in the 10-year Treasury yield. This result reflected, as much as anything, equally sharp downward and upward movements associated with these announcements.

The key takeaway is that Fed communications are associated with relatively large announcement effects in financial markets. Phrased differently, while some forms of communication are valued more highly than others, market

participants, at the end of the day, care most about the future direction of monetary policy. From a big picture and point, however, the various forms of Fed communication seem to help the FOMC achieve its dual mandate. Some empirical evidence, such as the drop in inflation volatility and better anchoring of inflation expectations following the adoption of a 2 percent target, suggests this. As the Fed begins the process of unwinding its balance sheet, how it chooses to communicate its strategy will have substantial influence on the strategy's effectiveness.

Global Risk Intolerance and its Implications for Emerging Markets

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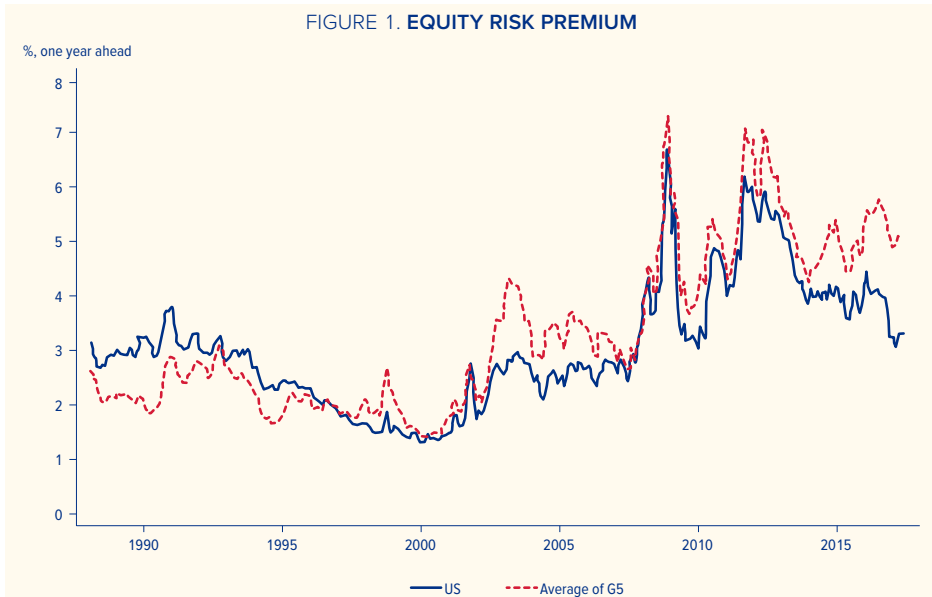
The global economy has become risk-intolerant. Figure 1 (from Caballero and Simsek 2017a), illustrates the steady rise in the equity risk premium (ERP) since 2000, which was exacerbated by the subprime crisis and has only recently begun to recede in the US but has continued its rise in the rest of the G5 economies. This rise in risk intolerance is a global phenomenon with significant macroeconomic implications for the global and individual economies. But before discussing some of these implications, we need to modify slightly the conventional macroeconomic framework of analysis.

1. A NEW FRAMEWORK

Conventional macroeconomic analysis puts its emphasis on the (potential) output generated by the productive capacity, and on the optimism of consumers and firms that creates the demand for this output. If the latter is insufficient, a recessionary output gap arises, which may be partially offset by monetary and fiscal policies.

Instead, we argue in Caballero and Simsek (2017a) that in the current risk-intolerant environment, it is important to expand the analysis to one that highlights two potential gaps. The existing (and expanding) productive capacity not only generates output but also risks, both of which need corresponding demands. If the demand for risk is insufficient, output and risk gaps emerge. These gaps feed into each other and have the potential to cause deep contractions.

1. This note is based on Ricardo Caballero's presentation at the FLAR/CAF conference held in Cartagena de Indias on July 13th and 14th, 2017.



Source: Constructed by Datastream as the median of nine different methods to calculate the ERP.
 Note: Solid line plots the (forward looking) equity risk premium for the US. Dashed line plots the unweighted average ERP for the G5 countries.

To see these interactions and the role of monetary policy in this expanded environment, imagine a situation where macroeconomic uncertainty rises. The first reaction to such a shock is a reduction in economic agents' desire to hold the risk produced by the productive capacity, embodied in the financial assets generated to fund that capacity. In this context, monetary policy works by reducing the opportunity cost of risky investments: By cutting safe interest rates, the central bank raises the ERP and hence it compensates economic agents for the increased uncertainty they perceive from holding risky assets. That is, monetary policy closes the risk gap, and by doing so it prevents the opening of an output gap.

But what if interest rates cannot be adjusted enough to fully offset the rise in increased volatility? (For example, this could be due to the high substitutability between money and bonds when interest rates are very low, or due to the negative impact of very low rates on the financial system, or due to inflationary and currency depreciation concerns.) Then a risk gap develops and drops (risky) asset prices, which reduces consumption through a wealth effect and investment through a standard valuation (marginal-

Q) channel. This causes an output gap, which lowers profits and asset valuations, and further increases the risk gap.

This potentially deadly embrace between risk and output gaps can only be stopped by enough optimism about a recovery, for in that case the drop in asset

prices generates an expected capital gain which eventually incentivizes agents to demand risky assets (thereby closing the risk gap). That is, what started as a risk gap ended up in an output gap caused by the drop in aggregate demand following the required (to close the risk gap) drop in asset prices. Even more worrisome, if economic agents are pessimistic and expect the elevated uncertainty episode to be a lasting one, then the drag of the asset price drop on aggregate demand and profits is strong relative to the expected capital gain caused by the drop, which triggers a deep downward spiral and recession, with asset prices and aggregate demand pulling each other down.

While the downward spiral captures well the years that followed the sub-prime and European crises, as well as future risks, the world is currently enjoying a strong momentum and low volatility. However, the implications of this risk intolerant environment and perspective also permeates normal (non-recessionary) low volatility times in somewhat unexpected ways, which is the theme we explore in Caballero and Simsek (2017b). The concern with the downward spirals illustrated above feeds into risk intolerance during the recovery phase, which depresses safe interest rates. These depressed rates fuel speculation by relatively optimistic agents. When there is more speculation, the economy is even more exposed to a spike in volatility, as this could now wipe out optimists and lead to a deeper crisis due to lack of optimism (as described above). Thus, speculation adds to the uncertainty perceived by the median agent and further lowers the natural rate. That is, fear lowers the natural rate, which keeps rates inconveniently close to the effective lower bound and drives speculation, which further fuels fears, and so on.

2. THE CURRENT FRAGILITY

Not only the current full employment equilibrium seems to require low interest rates and high ERP, but also is taking place with record low levels of realized market volatility. That is, risk market equilibrium seems to require a very high Sharpe ratio to generate the valuations required to support aggregate demand. This makes the global economy extremely vulnerable to a persistent spike in volatility.

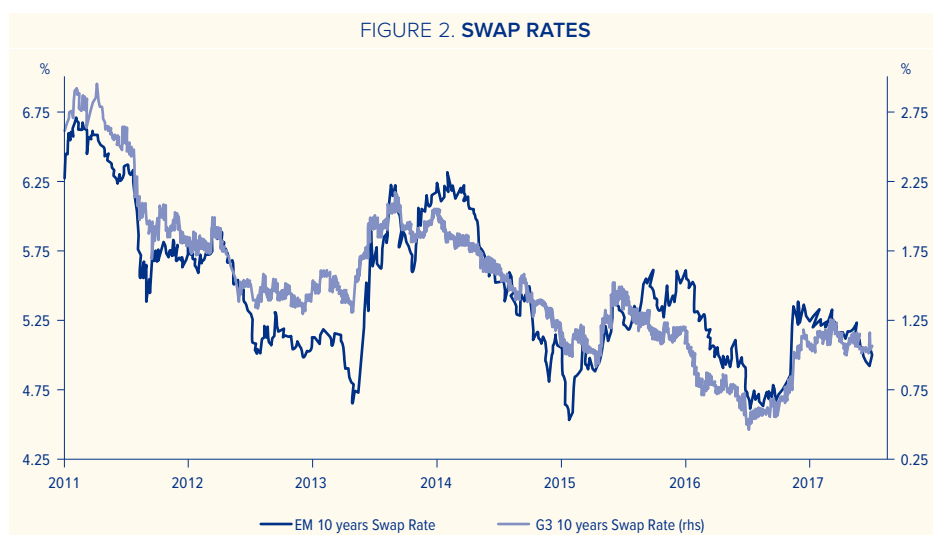
What could cause such a spike? Historical evidence suggests three main dangers: An equity market correction, a recession (for reasons other than a spike in volatility), a geopolitical event. While the former is a concern for short term returns in financial markets, it does not seem to be the most pressing concern for the global economy as it is unlikely to trigger a lasting spike in volatility in the absence of a domino effect on the financial system (which seems distant at this

time given the high level of buffers in the major financial centers). By the same token, the current momentum of the global economy does not foresee an impending recession (for reasons other than a lasting volatility spike). Having said this, if we were to see a volatility spike that pushes the economy into a recession, the latter in itself would raise volatility endogenously (see Caballero and Simsek 2017a,b for models with an endogenous increase in volatility during recessions).

We are left then with a significant geopolitical event as the most likely source of a destabilizing volatility spike. This is problematic not only because most broadly known indicators of geopolitical risks are currently elevated, but because unlike all previous low volatility episodes since the 1920s in the US, this time around the level of safe rates is extremely low. Without the buffer of an aggressive monetary policy, the economy finds itself uncomfortably close to the downward spiral risk scenario described above.

3. IMPLICATIONS FOR EMERGING MARKET ECONOMIES

Figure 2 shows that the path of interest rates in emerging market economies has tracked closely that of their developed counterparts, with one important exception: the level of rates in emerging market economies is higher and hence further away from the zero (or effective) lower bound. Does this mean that the concerns highlighted above for developed economies do not carry over to emerging market economies? Not so, we argue next.



While the higher level of rates does provide an additional buffer with respect to plain vanilla domestic business cycle shocks, it does not with respect to the global ERP shocks that concern us in this essay. The main reason is that this type of shocks puts strong downward pressure on emerging market currencies. To the extent that there is a constraint on the size of the depreciation that can take place over a short period of time, it operates very similarly to a lower bound constraint on interest rates. Naturally, this constraint is more binding in dollarized economies (where private balance sheets are very exposed to large swings in the exchange rate) and those with latent inflationary problems (where the pass-through of a depreciation can destabilize inflation expectations).

It is important to highlight that while depreciation concerns on the face of risk-off shocks have always been a concern for emerging market economies, the current global context described above exacerbates the problem. When developed economies are away from their effective lower bound on rates, a risk-off shock translates into lower interest rates in developed economies, which dampens the direct depreciation pressure of the risk-off shock on emerging market currencies. But as we argued above, this dampener no longer exists for a large risk-off event.

Turning to the boom phase, the current environment also puts constraints on upward interest rate adjustments. As we discussed above, the low, self-fulfilling, equilibrium rates in developed economies during normal times means that their optimists have an incentive to reach for yield. In this context, any emerging market economy that offers higher returns is an attractive target, which raises the exposure of that economy to a future risk-off event. The tension is then between excessive capital inflows and an excessive boom caused by low domestic interest rates.

In summary, the current global risk intolerance environment generates constraints on downward and upward rates adjustments in emerging markets. In this context, it is important to reinforce the policy toolbox with a strong macroprudential policy framework.

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Fiscal Policy over the Business Cycle in Latin America and the Caribbean

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I would like to focus on fiscal policy in Latin America and the Caribbean (LAC), which I believe is a very important issue now. But first I will briefly discuss the growth prospects for the region in 2017, then provide some background for the topic of fiscal policy over the business cycle, and finally address the main policy question: given that most countries in the region are facing fiscal deficits, does it mean that all countries should implement a fiscal adjustment?

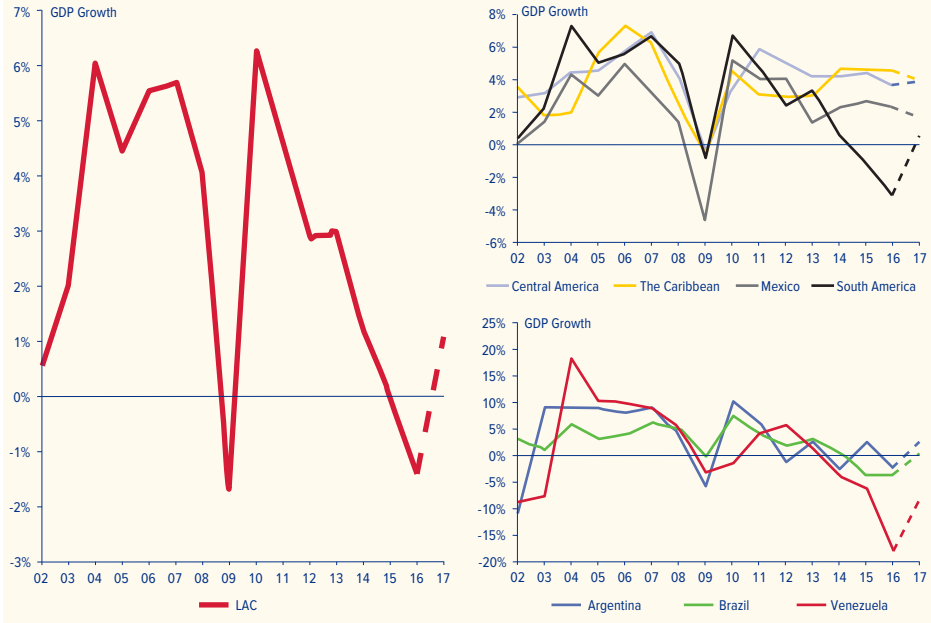
To answer that question, and put things into context, I will look a little bit at the history of fiscal policy in Latin America over the last 50 years. Then I'll argue that the need for fiscal adjustment should depend on three factors: (i) how fiscal policy has been conducted over the business cycle; (ii) debt sustainability; and (iii) the duration of the shock. Of course, it is easy to know, after the fact, whether a shock was permanent or temporary, but policymakers do not know this in real time and they still need to react to the shock.

GROWTH IN THE REGION

On the left panel of figure 1, we can see that growth in the region has been decelerating for the last six years, including the last two years with negative growth. On the top panel on the right side of figure 1, we can see that the region's pattern of growth follows what happens in South America (which accounts for 71.2 percent of the region's GDP), given that Central America and the Caribbean have been growing at around 4 percent per year since 2010. The region as a whole is still underperforming relative to all its comparable peers, so we obviously need to grow more.

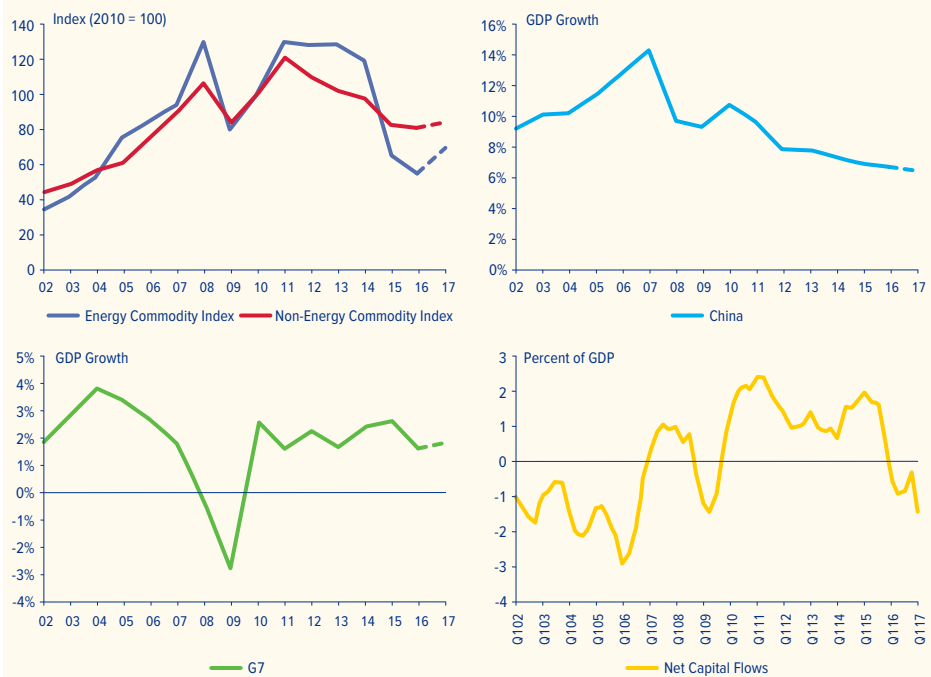
1. Revised transcript of presentation at the FLAR conference in July 2017, based on the semiannual report from the World Bank's Office of the Chief Economist for LAC, titled "Leaning against the wind: Fiscal policy in Latin America and the Caribbean in a historical perspective," April 2017, co-authored with Daniel Lederman and Federico Bennett, and available online at <http://hdl.handle.net/10986/26364>. Chapter 2 of this report (and hence part of this presentation) draws heavily on my joint work with Jeffrey Frankel and Guillermo Vuletin. The reader is referred to the report for references and further details.

FIGURE 1. LATIN AMERICA AND CARIBBEAN GROWTH



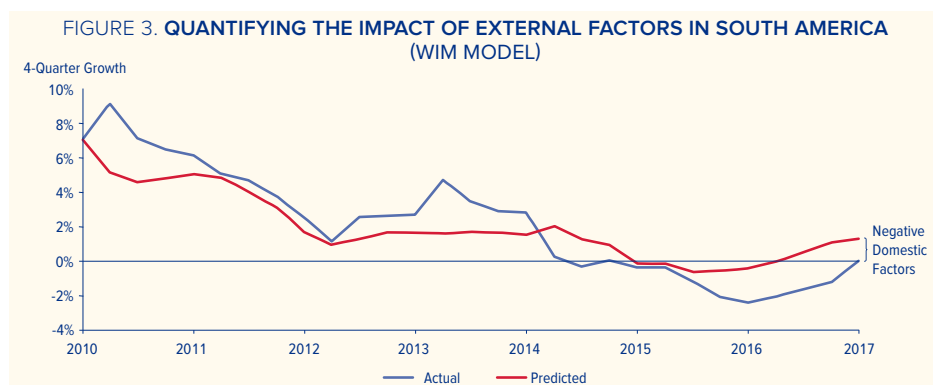
Sources: WEO and Consensus Forecasts (as of June 2017).

FIGURE 2. EXTERNAL FACTORS DRIVING THE SLOWDOWN IN SOUTH AMERICA



Sources: CNBS, Bloomberg, StatCan, INSEE, BBK, ISTAT, CAO, ONS, BEA, and BOP. Notes: Net capital inflows is the sum of the last four quarters available as percentage of GDP. Net capital inflows include the categories "Portfolio" and "Other" according to the BOP definition (and exclude FDI). Net capital inflows for 2017:Q1 are only available for Brazil, Chile and Mexico.

External factors play a very important role in the region's growth. Figure 2 illustrates the behavior of (i) commodity prices; (ii) China's growth rate, which is particularly important for South America; (iii) G7 growth, which is particularly relevant for Mexico and Central America; and (iv) net capital inflows, which is meant to capture global liquidity. Figure 3 quantifies the role of external factors in South America's growth. As can be seen in the figure, in 2017 the growth attributable to external factors is greater than actual growth. In fact, based on external factors — which have recently stabilized — growth in South America for 2017 should be close to 2 percent. But then we have negative domestic factors, particularly in Venezuela and Brazil, which will take actual growth to essentially zero.

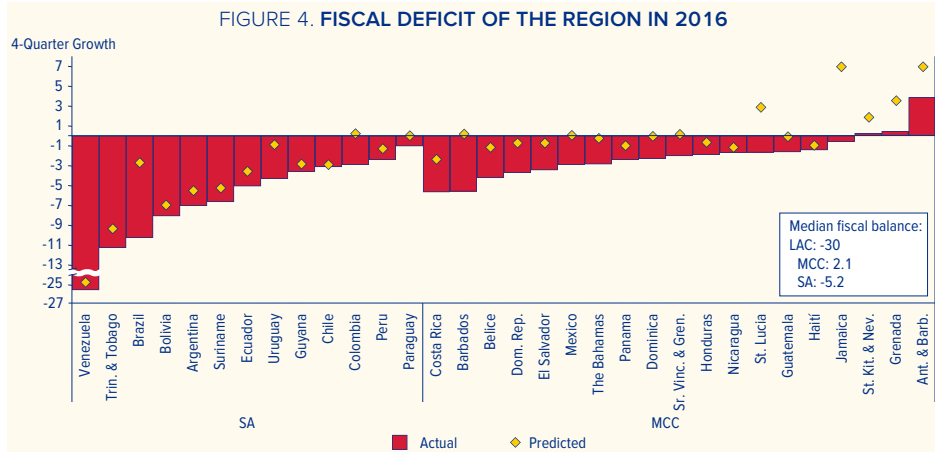


FISCAL PERFORMANCE

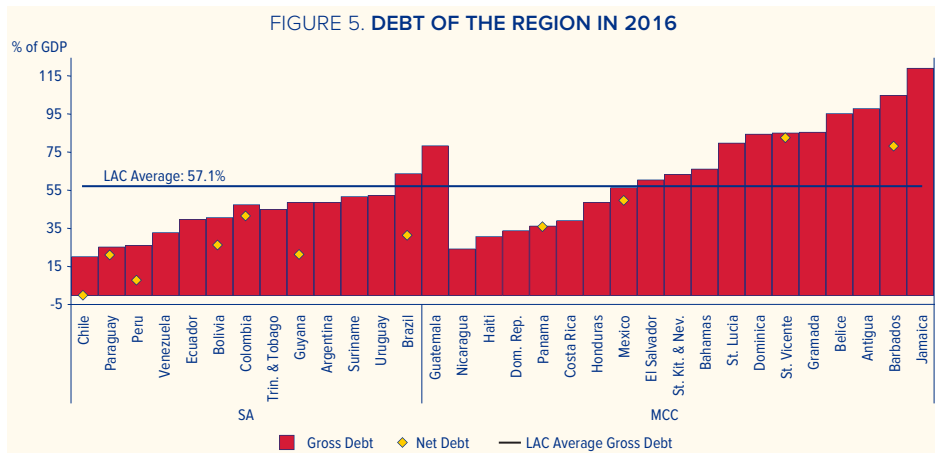
A very important point is that if growth is decelerating, we should expect the fiscal deficit to get worse. And that, in and of itself, need not be a big cause for concern because the tax base is extremely elastic to the business cycle (i.e., it is extremely procyclical). This implies that, in booms, the coffers of the treasury are filled with fiscal revenues because of the large increase in the tax base. Hence, even if tax rates remain unchanged, we will see a significant improvement in the fiscal deficit just because of the behavior of the tax base. Conversely, in bad times, the tax base plummets. So even if the fiscal authority does not change its policy instruments (i.e., government spending and tax rates), the economy will experience a higher fiscal deficit just because of the endogenous fall in the tax base.

In 2016, partly due to the growth deceleration of the last 6 years and partly due to lax fiscal policy, the median fiscal deficit for LAC was 3 percent of GDP and for South America 5.2 percent (figure 4). As a matter of fact, 29 of the 32

LAC countries had a fiscal deficit, so there is undoubtedly a fiscal problem. Recurrent fiscal deficits have, of course, led to higher debt levels. As can be seen in figure 5, the average debt to GDP ratio for LAC is 57.1 percent, which is high for the region.



Sources: World Bank and WEO



Source: World Bank

FISCAL POLICY IN LAC: THEN AND NOW

To think conceptually about fiscal policy, the first question to ask is: how should the fiscal authority conduct fiscal policy over the business cycle? Let me discuss some important considerations before answering that question. The fiscal authority has two policy instruments: government spending and tax rates. The

policy instrument is the tax rate, and not tax revenues, because the tax base is endogenous. This implies that any study (and there are many!), which looks at how fiscal policy is conducted based on fiscal deficits only, is likely to convey a misleading picture because of the endogeneity of the tax base. Therefore, although a higher deficit during recessions is something to take into account and many countries need to make a fiscal adjustment, a higher deficit is not necessarily a bad thing. We need to know more. We cannot simply look at the fiscal balance and make an inference based on that.

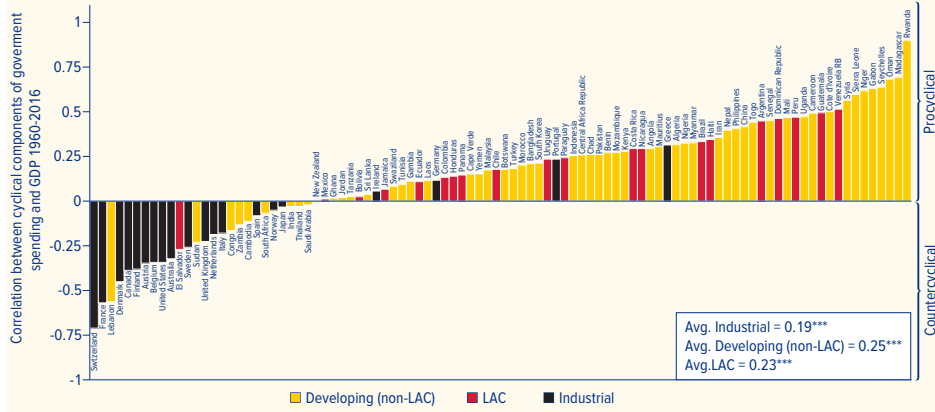
Let me now introduce some terminology. If government spending and the tax rate do not change over the business cycle, then fiscal policy is acyclical. If fiscal policy is expansionary in booms and contractionary in bad times, then fiscal policy is procyclical, which is sub-optimal. If fiscal policy is expansionary in bad times and contractionary in booms, then fiscal policy is countercyclical. Theoretically, the optimal fiscal policy will be acyclical (in a neoclassical model) or countercyclical (in a Keynesian model with sticky prices).

Let us now turn to the data. Figure 6 illustrates the cyclicity of government spending over 56 years (1960-2016) for 96 countries, 21 industrial and 75 developing. Black bars denote developed countries, yellow bars developing countries, and red bars LAC countries. The bars are the correlation between the cyclical components of government spending and real GDP. A positive correlation implies procyclical fiscal policy, because it means higher government spending during booms and lower in bad times. Conversely, a negative correlation implies countercyclical fiscal policy.

Industrial countries have, on average, been clearly countercyclical. On the other hand, 82 percent of developing countries have been procyclical. Not because they do not know that this is a sub-optimal policy, but because there are forces in action that induce policymakers to act in this way.

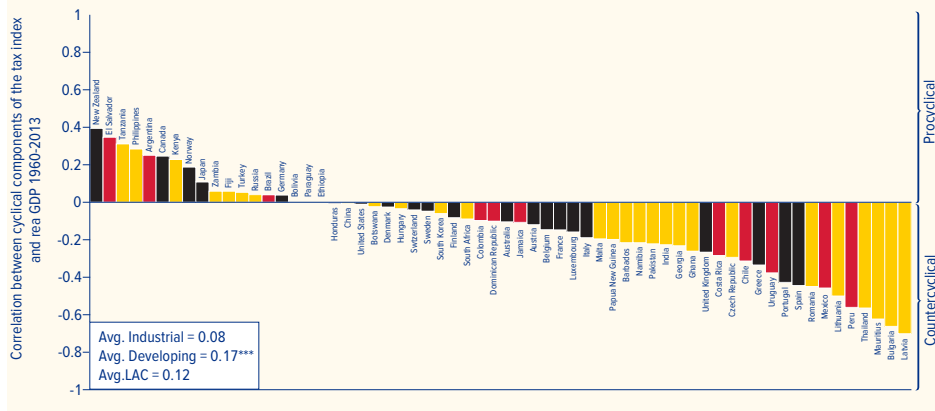
The same is true for tax rates (figure 7), although it is much more difficult to get data on them. Figure 7 uses a tax index, which is a weighted average of value-added, corporate, and personal income taxes for 62 countries (20 industrial and 42 developing). In this case, a negative correlation implies procyclical tax policy (i.e., lower tax rates in good times and higher in bad times). Conversely, a positive correlation implies countercyclical tax policy (i.e., higher tax rates in good times and lower tax rates in bad times). Whereas the average correlation for developed countries is not statistically different from zero, the average correlation for developing countries is 0.17 (and significant at the one percent level) and for LAC 0.12 (and significant at the 15 percent level). We thus conclude that developing countries tend to be procyclical both on the spending and on the taxation sides.

FIGURE 6. CORRELATIONS BETWEEN THE CYCLICAL COMPONENTS OF GOVERNMENT SPENDING AND REAL GDP



Source: World Bank (April 2017 LAC semiannual report). Note: Procyclical government spending policy implies higher spending in good times and lower spending in bad times. *** indicates significance at the one percent level.

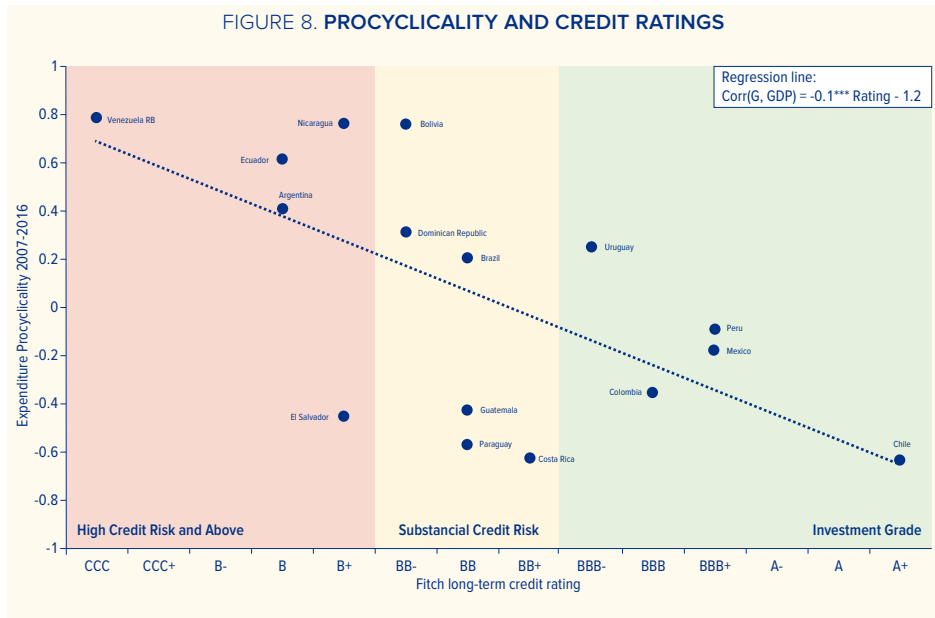
FIGURE 7. CORRELATIONS BETWEEN THE CYCLICAL COMPONENTS OF TAX RATE INDEX AND REAL GDP



Source: World Bank (April 2017 LAC semiannual report). Note: Procyclical tax policy implies lower tax rates in good times and higher tax rates in bad times. *** and * indicates significance at the one percent and 15 percent levels, respectively.

The question is now: why would developing countries pursue procyclical fiscal policy? In principle, it is clearly a bad idea because procyclical fiscal policy amplifies the already volatile business cycle that we see particularly in South America due to large fluctuations in commodity prices. The booms become even bigger and the recessions become even deeper; this is the phenomenon that many years ago, with Carmen Reinhart and Graciela Kaminski, we dubbed the “when-it-rains-it-pours” phenomenon because you are adding fuel to the fire. So this is point one.

The second point is a more practical one. We can see in the data that countries that tend to be procyclical tend to have more public debt and also riskier public debt. Figure 8 illustrates the idea of riskier debt. On the vertical axis, we have the correlation coefficient for the procyclicality of government spending during 2007-2016 and, on the horizontal axis, we have the Fitch credit rating. We can see a very significant negative correlation between fiscal procyclicality and the credit rating: the less procyclical (or more countercyclical) a country is, the higher is its credit rating. On the right side of the figure, we have the sounder countries, with Chile being the best example. Chile has been very countercyclical during this period and has a credit rating of A+. In the upper left side, we can see countries such as Venezuela, Nicaragua, Ecuador, and Argentina, which have been very procyclical historically and have a rather low credit rating.



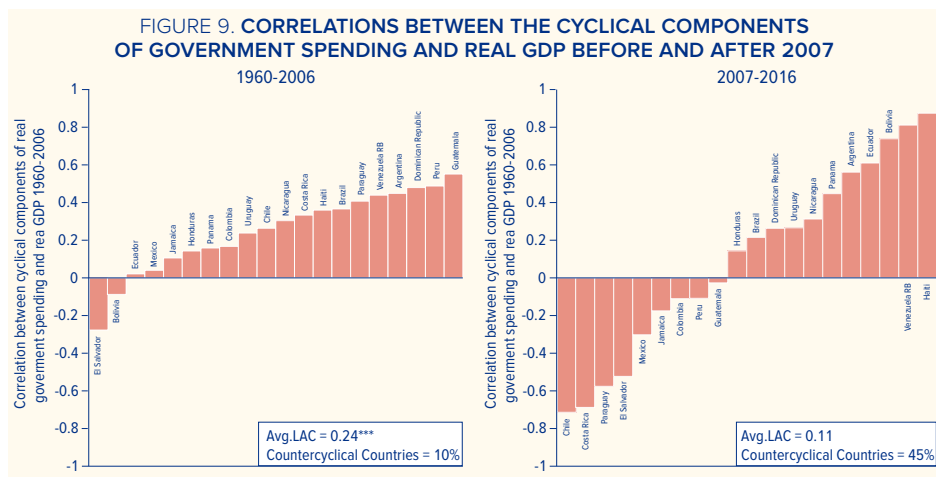
Source: World Bank (April 2017 LAC semiannual report).

There are two main hypotheses as to why developing countries have tended to be historically procyclical. One is the very heavy political pressures to spend in good times. When a country experiences a large commodity boom, its coffers are filled with funds. It then becomes very difficult for the Finance Minister to say no to requests for additional spending (sometimes based on much needed social spending). The second explanation relies on countries' inability to borrow in bad times, as they lose access to international credit

markets. If a country cannot borrow in bad times, then it has no choice but to contract fiscal policy. This will make the recession much worse.

But now let me give you the good news. If we take LAC countries and split the sample of figure 6 into two sub-samples (1960-2006 and 2007-2016), we can see a big change in the cyclicity of fiscal policy (Figure 9). In other words, we see a much bigger mass of countries on the left (negative) side after 2007 than before, which implies that many LAC countries have been able to switch from being procyclical to being countercyclical. In fact, the number of countercyclical countries in LAC has increased from 10 percent before 2007 to 45 percent after 2007.

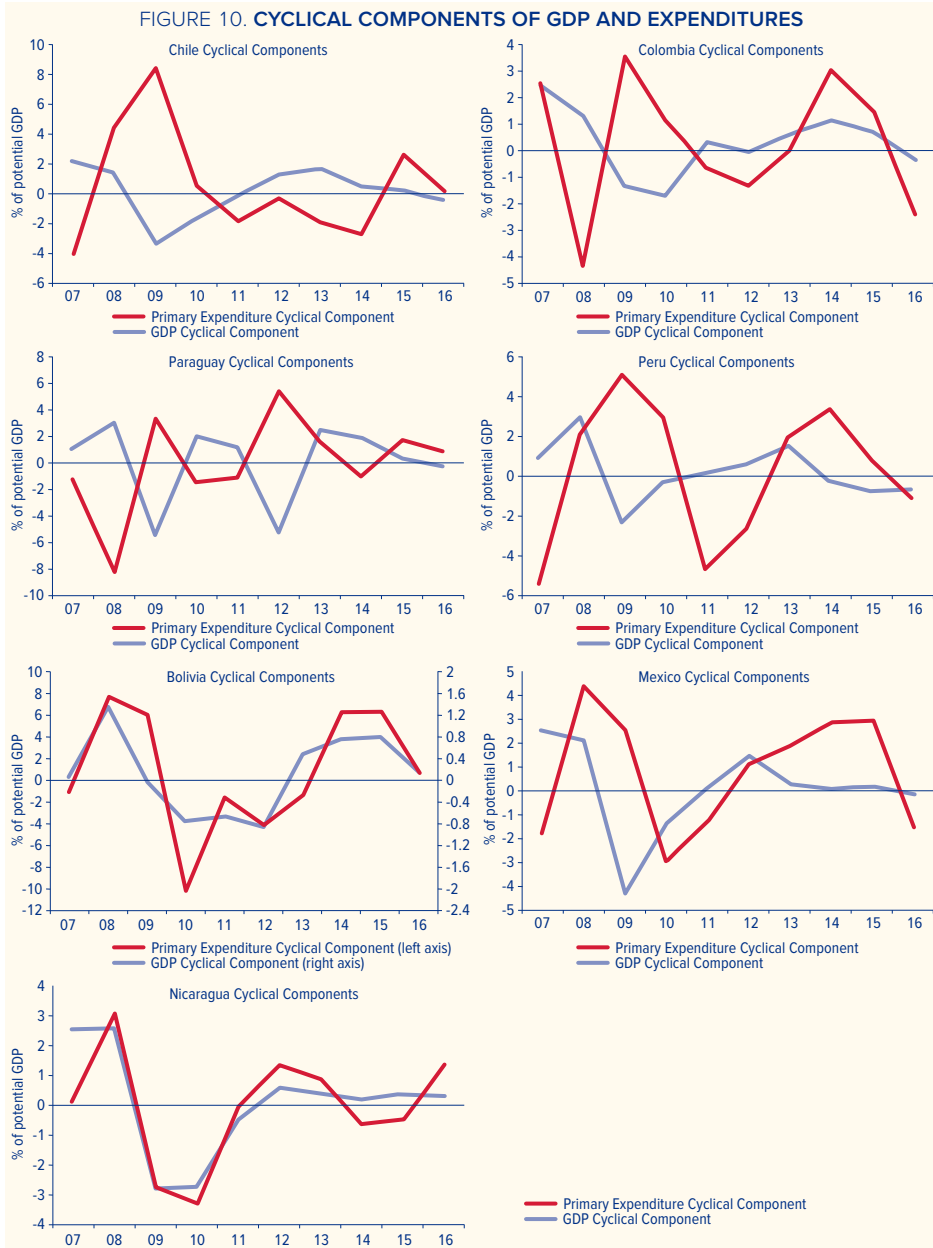
One caveat to our finding is that it has been heavily influenced by what happened during the global financial crisis when many countries – like Chile, Colombia, Peru, and Mexico – pursued countercyclical fiscal policy. But, then, in the second half of the ten-year period of very high commodity prices, many LAC countries did not save enough, which led to the serious fiscal situation that we face today, as discussed earlier (recall figures 4 and 5).



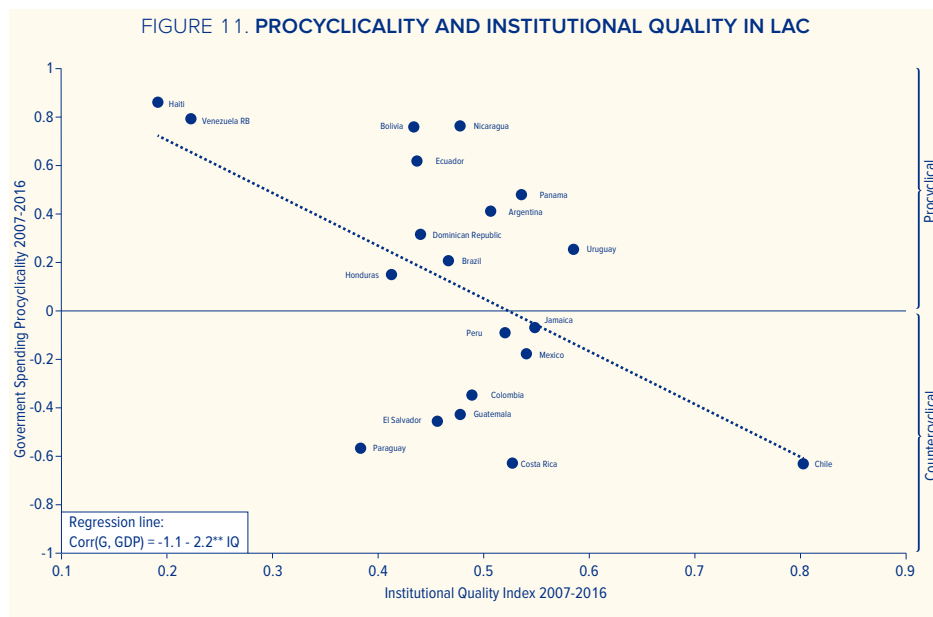
Source: World Bank (April 2017 LAC semiannual report). *** denotes significance at the one percent level.

Figure 10 illustrates the behavior over time of the cyclical components of government spending and real GDP for seven LAC countries. Let us first look at the case of Chile (top left panel), a country that managed to switch from procyclical to countercyclical fiscal policy. We can see that Chile was extremely countercyclical during the global financial crisis (2008-2009) and then actually reduced government spending below trend in the final years of the commodity boom (2011-2014).

Nicaragua (last panel) offers an excellent example of a procyclical country. In this case, the cyclical components of government spending and real GDP are almost the same, which means that you spend all of your additional income in good times and then have to contract spending in bad times.



What has helped countries become countercyclical? In figure 11, we can see a very significant relationship between the quality of institutions and the correlation of government spending with the cycle. The higher is institutional quality, the more countercyclical the country has been. Once again, Chile is the best example.



Source: World Bank (April 2017 LAC semiannual report).

In particular, what are some of the institutional features that have helped governments save in good times? One is fiscal rules based on the structural fiscal balance. Chile has had one since the year 2000. Commodity stabilization funds are also very useful, like in the case of copper in Chile. Many LAC countries do not have yet automatic stabilizers (like unemployment insurance), which are very common in developed countries. Clearly, implementing more automatic stabilizers should be in the agenda for many LAC countries.

IMPLICATIONS FOR FISCAL POLICY

Suppose then that we have agreed on the idea that (i) you should increase government spending only when revenues increase on a permanent basis, and (ii) you should save temporary increases in revenues. But, of course, this assumes that you know if the shock that has just hit your country (say, a drastic fall in commodity prices) is temporary or permanent (or a combination of the two).

In practice, policymakers do not have this information and, yet, need to make decisions in real time. How do we deal with this problem? As we argue in the report, this calls for prudent fiscal behavior in the sense of having a tendency to see positive shocks as more temporary than what they might actually be, and to see negative shocks as more permanent than they might actually be. This implies that you would always try to err on the side of saving a little bit more in good times and borrowing a little bit less in bad times, compared to the case in which you knew exactly the degree of temporariness of the shock. You would thus have “excess” saving on average, but we should see this as the price of self-insuring, which is a good thing to do.

The main implication of all the considerations that we have just discussed is that the presence of a fiscal deficit does not, in and of itself, imply that there is a need for a fiscal adjustment. We need to look at (i) the cyclicity of fiscal policy, (ii) debt sustainability, and (iii) whether the shock is temporary or permanent. There are some clear cases for fiscal adjustment. For example, if your public debt has become unsustainable or if you are trying to finance a fiscal deficit when you know that the shock has been permanent, then you need to adjust. And if you are running a deficit in good times, you are being procyclical and need to adjust too.

Then we have also cases when fiscal adjustment may not be needed. Clearly, if you are Chile and are pursuing a countercyclical fiscal policy, it would completely defeat the purpose to adjust. And if you are following an acyclical fiscal policy, you should not worry about deficits in bad times because they will be compensated by surpluses in good times when the tax base increases again.

To conclude, I would like to go back to the general idea that governments need to save in good times. If you look at the data, it is clear that LAC countries do not save enough in good times, if at all. When we had these ten years of very high commodity prices, LAC should have been saving more. Otherwise, when the bad times inevitably come again, it is too late and there is no choice but to reduce spending and/or increase taxes, which worsens the recession.

Thank you.

Esperando a Godot... en Latinoamérica

JOSÉ JUAN RUIZ

Economista Jefe BID¹

I. EN DEFENSA DEL OPTIMISMO

Para mi generación la representación de “Esperando a Godot” de Samuel Beckett², una de las grandes obras de teatro del absurdo, era “el” acontecimiento cultural. En el primer acto de la obra hay un diálogo entre Estragón y Vladimiro, los dos únicos personajes de la obra:

Estragón: No hay nada que hacer.

Vladimiro: Empiezo a pensarlo. Durante mucho tiempo me he resistido a creerlo diciéndome “Vladimiro, sé razonable; aún no lo has intentado todo” y reemprendía la lucha. ¿Así que otra vez ahí?

Estragón: ¿Te parece?

Las conversaciones que sobre América Latina he escuchado en los últimos dos años – la mayoría de las cuales desbordan un agraz pesimismo - me han hecho recordar aquellos días lejanos de mi juventud. Tras la caída del precio de las materias primas que se inició en el verano de 2016, el síndrome melancólico de la nueva oportunidad perdida se activó. Más recientemente, el inicio de la normalización de la política monetaria de los países desarrollados, con su correlato de tasa de interés reales más elevadas, menores entradas de capital en los países emergentes y un dólar más fuerte han añadido leña al fuego. A todo ello se le ha venido a añadir el resurgir de los populismos y de los nacionalismos, el acoso al orden liberal comercial de postguerra, y las primeras escaramuzas de lo que se teme que sea futuras guerras comerciales en la forma de aranceles y de debilitamiento de la arquitectura internacional.

Visto así, la mano no pinta bien para la región.

1. Versión editada en Julio 2018

2. http://actors-studio.org/web/images/pdf/esperando_a_godot.pdf

Los presagios no se compadecen, al menos hasta ahora, de los datos. Salvo Venezuela, la región no ha padecido las crisis homéricas que jalonan su pasado, aunque es verdad que tampoco está creciendo a ritmos que permitan mantener la esperanza de que el salto al desarrollo está a la vuelta de la esquina.

América Latina está bien, pero va mal.

Está “bien” porque, pese al derrotismo, la calidad y el nivel de vida de los latinoamericanos ha mejorado como jamás lo había hecho antes en su historia.

Max Roser, en su imprescindible página web Our World in Data³, nos da un dato muy revelador: hace 50 años la esperanza de vida en la región era de apenas 50 años y hoy de 75,2 años. Una mejora de 6 meses cada año. Hay antecedentes históricos análogos, y para todos ellos una buena razón⁴: *el conocimiento, la ciencia y la tecnología*. Angus Deaton y sus coautores ya señalaron hace una década la razón detrás de esa feliz trinidad: “La mortalidad en Inglaterra comenzó a declinar durante la Ilustración debido, en primer lugar, a la aplicación de nuevas ideas sobre la higiene personal y el papel del Estado en la salud, e indirectamente por el aumento de productividad que permitió – con ocasionales, pero terribles retrocesos- mejores condiciones de vida, de nutrición, de vivienda y de saneamiento”. La idea se ajusta con precisión a nuestra región, como pone de manifiesto la evolución de la alimentación de un boliviano promedio: en 1961 el porcentaje de calorías que derivaba de las proteínas animales era del 3% de su ingesta calórica, apenas la mitad del que registraba un español. En 2013 el consumo de proteínas animales había aumentado un 58% y ya era el 66% del promedio español. Bolivia no es un caso aislado, sino la tendencia en la mayoría de los países latinoamericanos.

No hay dudas: la pobreza se ha reducido a la mitad – desde el 62,6% de la población en 1987 al 33% en 2013 – en las últimas tres décadas, y esa evolución ha contribuido a crear una sociedad mayoritariamente de clases medias – en torno al 60% de la población-aunque al menos un tercio de los que hoy son no-pobres siguen siendo “vulnerables” y pueden, ante cualquier contratiempo económico o político, volver a caer por debajo del umbral de pobreza.

Por otra parte, Latinoamérica es la única región del mundo que en la era de la globalización ha registrado una reducción de la desigualdad como consecuencia tanto del crecimiento económico, como de la implementación de políticas públicas que fueron específicamente diseñadas para mejorar las condiciones de vida y el capital humano de los que siempre se habían quedado rezagados.

3. <https://ourworldindata.org/life-expectancy#life-expectancy-has-improved-globally>

4. Cutler, David, Angus Deaton, Adriana Lleras-Muney – (2006) “The Determinants of Mortality.” *Journal of Economic Perspectives*, 20(3): 97-120. Citado por Max Roser.

Peso a ello, el descontento y la desconfianza de los ciudadanos con el Estado ha aumentado, y la opinión más extendida es que la mejora que muestran los datos es un puro espejismo. En defensa de ese argumento se esgrime el creciente “descontento social”, un concepto difícilmente medible. Lo que sí es tangible es que el “voto de los (presuntos) airados” y el asentamiento de la democracia en la región, con todas sus imperfecciones, han sido los causantes en los últimos dos años de la renovación de buena parte de los Gobiernos y de los Parlamentos nacionales, provinciales y locales.

Esos relevos han sido el resultado de elecciones limpias y transparentes, los perdedores de las contiendas electorales han aceptado el mandato de las urnas, y las transiciones de poder se han producido sin generar grandes discontinuidades políticas, sociales o económicas. Es este uno de los éxitos silenciosos, pero críticamente importante de la reciente historia de América Latina.

Un avance social que a menudo queda opacado por la percepción generalizada de que el “sistema” y sus instituciones no funcionan. La evidencia puede, sin embargo, estar apuntando en otra dirección. Temas que llevan mucho tiempo en la agenda de los países más desarrollados – libertades civiles, igualdad de género, derechos de las minorías, diversidad sexual, conciencia medio ambiental, etc. – han irrumpido con fuerza en las agendas legislativas nacionales. Ya no son “derechos del desarrollo”, sino parte integrante y necesaria del proceso de dejar atrás el subdesarrollo. Las libertades han dejado de ser “cosas de ricos”.

Junto a este innegable progreso, el crimen, la violencia, la corrupción – todos ellos problemas gravísimos de América Latina – siguen cuasi monopolizando los esquemas analíticos con los que pretendemos entender lo que pasa en el continente.

La polarización de los diagnósticos es inevitable. En gran medida es choque de percepciones el inevitable resultado de las realidades contradictorias que conviven en América Latina. La región es muy diversa. Más que nunca, no solo porque los países son distintos entre sí, sino porque dentro de cada país conviven con situaciones de partida, expectativas y capital humano profundamente diferentes, y que quizás se estén intensificando. Hay conflictos de clase, pero también generacionales y de acceso a las habilidades y valores de un mundo en cambio propulsado por la globalización y sus avatares, la revolución tecnológica y la digitalización.

La región, los países, la sociedad latinoamericana se han hecho mucho más diversos de lo que, condicionados por nuestras convicciones, creencias o sesgos culturales, habitualmente asumimos.

Y por eso, nos equivocamos tanto y tan de seguido.

Porque seguimos persistiendo en diagnósticos y recetas simples para solventar problemas que son inherentemente cambiantes y complejos. Afortunadamente, en el camino vamos aprendiendo. Poco a poco, la macro ha dejado de ser el único oficio de los economistas. Hoy hay muchos más campos abiertos, más focalizados y con mejores bases microeconómicas. Investigamos con mayor solidez analítica que nunca, recopilamos datos, y hacemos evaluaciones de impacto de las políticas públicas que proponen los Gobiernos. Y esa orientación hacia el diseño de políticas basadas en la evidencia, ese empeño en identificar los objetivos prioritarios y en aprender lo que funciona y lo que no funciona es el mayor atajo al desarrollo que hoy tiene a mano la región. Un buen ejemplo de esta visión parcial pero optimista, y en absoluto autocomplaciente, del futuro de la región es lo que nos ha ocurrido macroeconómicamente en los últimos dos años. Es lo que voy a tratar de exponerles en los próximos minutos.

En concreto, voy a tratar de responder tres preguntas:

- ¿Qué es lo que nos ha ocurrido en términos de crecimiento y equilibrios macro en la región desde el otoño de 2017?
- ¿Por qué – al menos hasta ahora - la hemos librado?, y
- ¿Qué es lo que deberíamos estar ya haciendo?

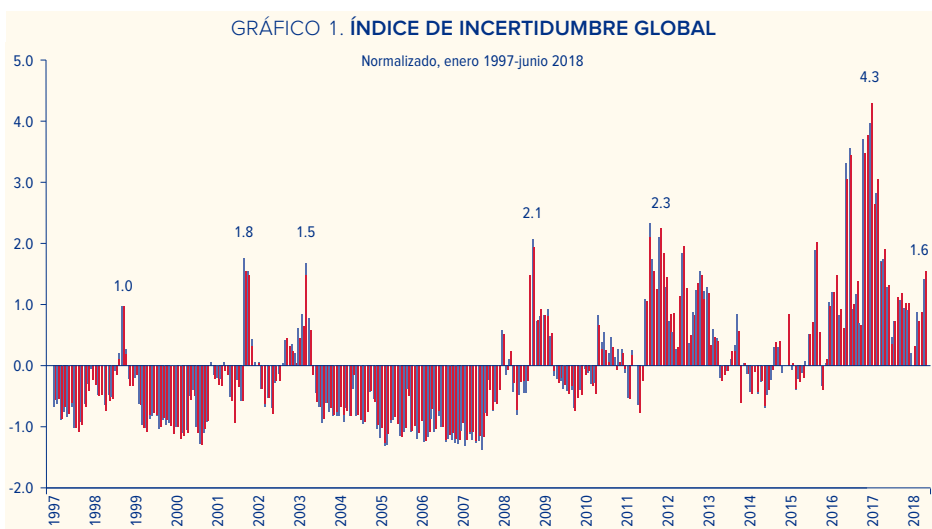
II. LA RECUPERACIÓN GLOBAL CONTINÚA Y LAS ANSIEDADES SE CONTROLAN

Sentimos que vivimos una época excepcional. No solo hay muchos riesgos – y oportunidades – de todo tipo, sino que también enfrentamos incertidumbres a las que no es posible atribuir ni siquiera aproximadamente probabilidades de materialización. Su combinación debería de estar complicándonos extraordinariamente el proceso de toma de decisiones - cuánto ahorrar, en dónde invertir – y, por tanto, el crecimiento económico.

Aunque medir nuestras ansiedades colectivas es tarea harto compleja – si caso posible – hay gente que apoyándose en el big data lo intenta. Las mediciones que tenemos efectivamente corroboran que a mediados de octubre de 2017 los índices de incertidumbre de la economía global, (Gráfico 1), estaban en niveles muy elevados. De hecho, similares a los que tuvimos en la crisis de Lehman de 2008 y superiores a los registrados tras el 11-S o la guerra de Irak. Pero el desasosiego no es estático: desde noviembre de 2016 – de hecho, a partir del triunfo en las elecciones de Estados Unidos del Presidente Donald Trump – la incertidumbre comenzó a decaer, y esa tendencia se mantuvo a lo largo de todo el año 2017 y buena parte del 2018. Mas recientemente, las ame-

nanzas de Guerra Comercial entre EE. UU. y sus principales socios económicos han empujado al alza, todavía de forma moderada, es índice de incertidumbre de la economía global.

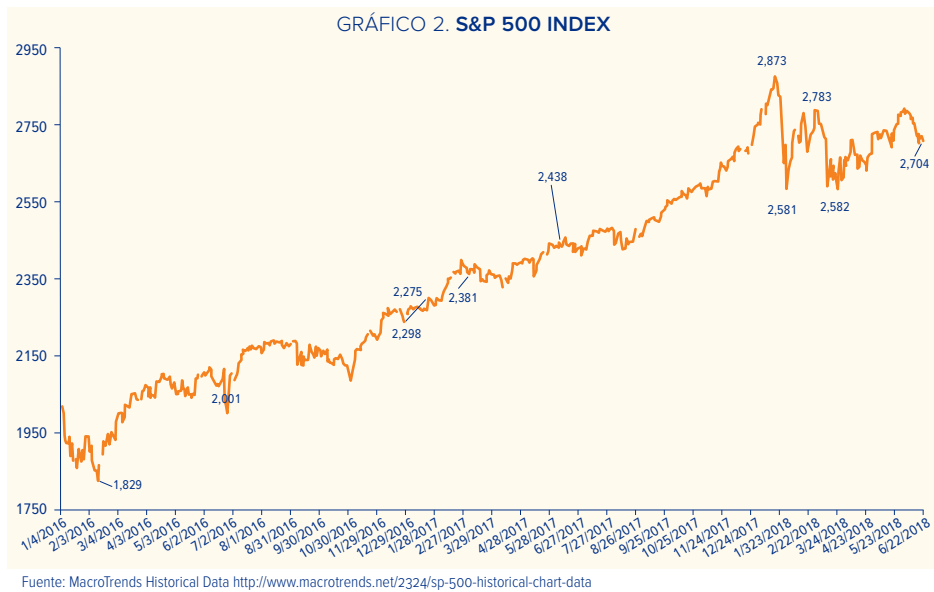
Nadie anticipó esta benigna evolución del indicador. Mas bien el consenso era exactamente el contrario. Hace dos años, la victoria del Presidente Trump, sus promesas electorales y su retórica eran percibidas como un potencial gran shock político – Drain the swamp - que conmocionaría las bases del orden liberal y generaría incertidumbre tanto sobre las reglas de juego, como sobre el curso de la política monetaria y fiscal de los Estados Unidos. Ex - post se ha aducido que el cambio de percepción es en realidad un voto de confianza en la fortaleza de las instituciones americanas y sus checks and balances, o, el resultado “lógico” de la resiliencia de la economía norteamericana y su sostenida recuperación.



Fuente: Global Economic Policy Uncertainty Index. http://www.policyuncertainty.com/global_monthly.html

Dado que no hay nada que nos haga suponer que las dos explicaciones esgrimidas no sean complementarias o se retroalimenten, tampoco resulta anómalo que los mercados de valores hayan seguido comportándose de forma exuberante, (Grafico 2). El precio de los activos financieros seguía creciendo y su volatilidad muy baja. Al menos hasta el 26 de Enero de 2018, cuando el índice S&P 500 alcanzó su máximo histórico apenas un mes después de que el Senado aprobara la Reforma Fiscal propuesta por el Presidente Trump. Un paquete con un coste recaudatorio de 1.5 trillones americanos de US \$, que incluía reducciones permanentes de la carga tributaria para las empresa y recortes temporales para los individuos. El mayor cambio tributario desde la reforma fiscal de Reagan en 1986.

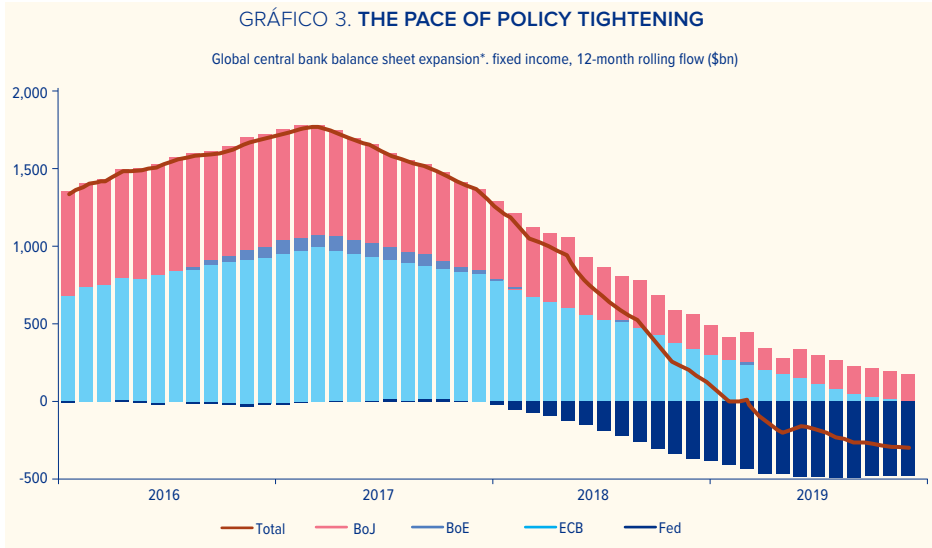
Al margen de sus regresivos efectos distributivos, la reforma es un fenomenal impulso fiscal a una economía que estaba en su octavo año de recuperación, con una tasa de desempleo que en enero ya era del 4.1% y que a junio está por en el 3.9%. Los economistas – y los mercados – saben que, si se quiere controlar la inflación, la combinación de una política fiscal expansiva y una situación de pleno exige una política monetaria restrictiva. Un policy mix muy distinto al que han seguido los países desarrollados desde hace una década. Anticipando el cambio de entorno, las bolsas comenzaron a ajustar, el precio de los bonos a caer y la volatilidad a aumentar.



En otros términos, hemos comenzado otra “época”, y sería irresponsable seguir actuando como si el mundo panglosiano de crecimiento moderado, pero sin inflación, acceso irrestricto a los mercados de capitales y bajos tipos de interés fueran a continuar. No lo hará, y todos, pero especialmente los países emergentes, no podrán escapar a esta nueva situación⁵.

No hay muchas dudas sobre el papel protagonista que los Bancos Centrales tendrán en la definición del nuevo entorno. El gráfico 3, elaborado por Michael Mackenzie en una reciente colaboración en Financial Times, describe con quirúrgica precisión el ritmo al que en el mundo se están retirando los impulsos monetarios que se adoptaron tras la Gran Recesión de 2008. Los balances de los bancos centrales ya no crecen, sino que se contraen.

5. Michael Mackenzie. The retreat from easy money that markets cannot escape.



Como consecuencia de ello, la rentabilidad de los bonos aumenta (grafico 4), el dólar se fortalece (Grafico 5) y las entradas de capital en los países emergentes disminuyen (grafico 6).

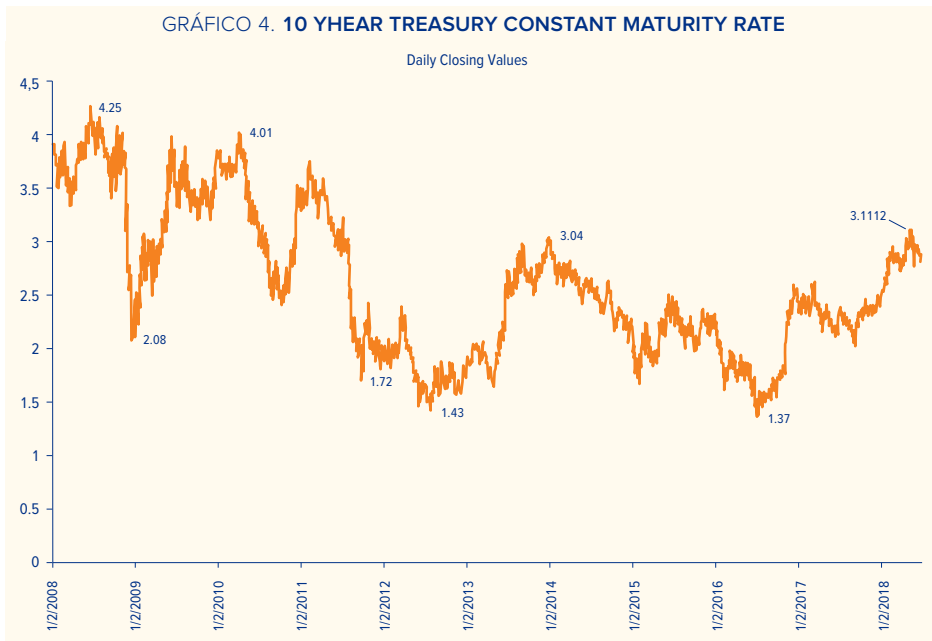
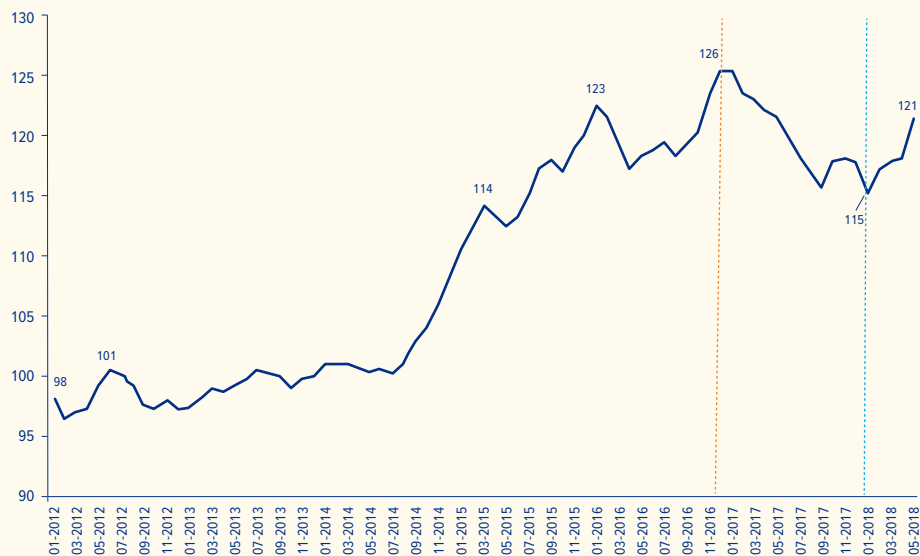
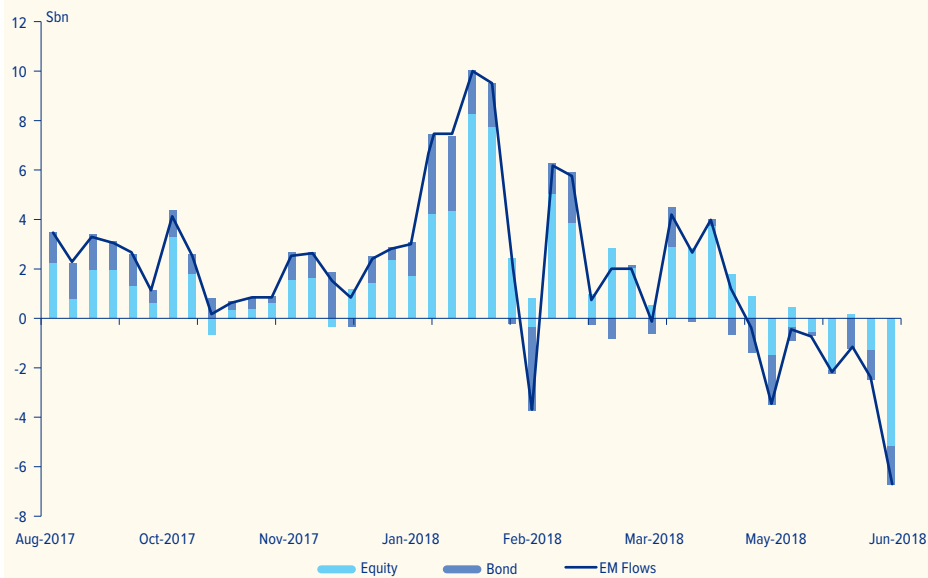


GRÁFICO 5. BIS NOMINAL EFFECTIVE EXCHANGE RATES, UNITED STATES 2010-100



<https://www.bis.org/statistics/>

GRÁFICO 6. EM FLOWS (EQUITY+BOND)



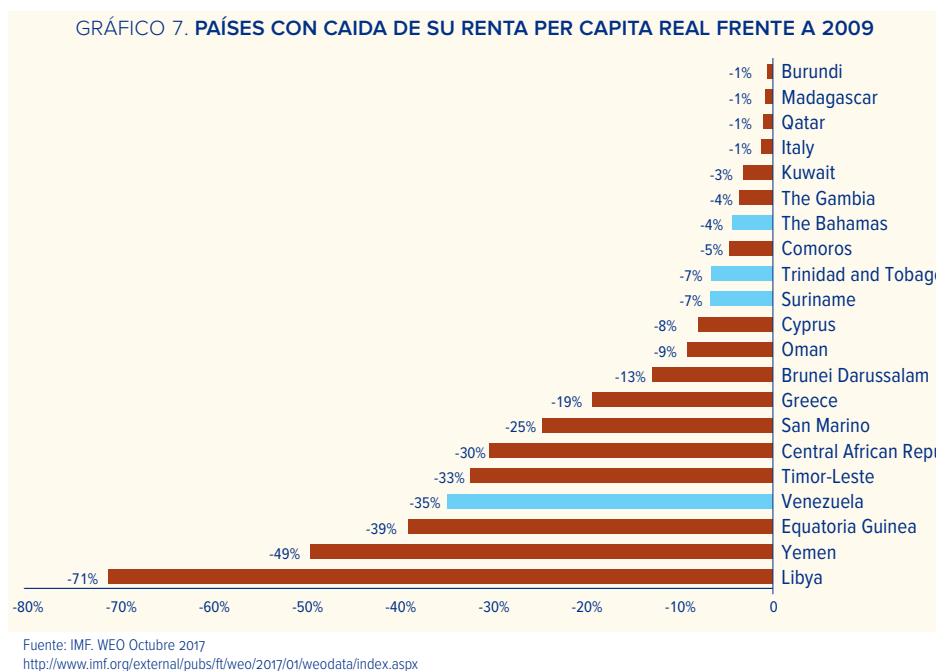
EPFR Global, Barclays Research

No obstante, todo tiene su lado positivo.

La normalización monetaria comienza a producirse porque la economía global ha dejado atrás la recesión de 2008. Según el World Economic Outlook del

FMI, en 2018 solo habrá en el mundo seis economías con tasa de crecimiento negativas – y Venezuela es una de ellas – y tan sólo 21 economías tendrán niveles de renta per cápita inferiores a los que disfrutaban en 2007. Latinoamérica y el Caribe aportan a ese desafortunado ranking 4 países: Bahamas, Surinam, Trinidad Tobago y Venezuela. (Grafico 7).

La recesión de 2008 fue global y muy profunda, pero al menos en términos macroeconómicos – otra cosa son las consecuencia sociales e institucionales – para la mayoría de los países la herida comienza a cicatrizar.



La recuperación global se mantiene (Cuadro 1). Es cierto que el crecimiento será moderado, pero también que la inflación – aunque al alza – está en niveles históricamente moderados, las expectativas de inflación en la mayoría de las grandes economías del mundo parecen bien ancladas, y los Bancos centrales mantienen su reputación y compromiso con la estabilidad de precios. Respecto al comercio internacional los pronósticos, dada la anunciada política comercial norteamericana y las posibles respuestas de sus socios, se han revisado fuertemente a la baja, aunque el FMI sigue anticipando tasas positivas de expansión de medio punto porcentual.

CUADRO 1. PERSPECTIVAS ECONÓMICAS GLOBALES

	WEO			Q4 over Q4		
	Enero/Jan 2018 (izq./ left)	Dif. WEO Oct.2017 (der./right)		Estimate	Projections	
	2018	2018	2018	2017	2018	2019
Mundo/World	3.9	0.2	0.2	3.9	3.9	3.8
Desarrollados/Advanced Ec.	2.3	0.3	0.4	2.4	2.3	2.0
United States	2.7	0.4	0.6	2.5	2.7	2.4
Euro Area	2.2	0.3	0.3	2.4	2.1	2.0
Emerging Economies	4.9	0.0	0.0	5.2	5.3	5.3
Emerging Asia	6.5	0.0	0.1	6.8	6.5	6.5
China	6.6	0.1	0.1	6.7	6.5	6.4
Emerging Europe	4.0	0.5	0.5	4.0	4.8	3.7
Latin America and the Caribbean	1.9	0.0	0.2	2.2	2.3	2.6
Brazil	1.9	0.4	0.1	2.5	2.2	2.0
Mexico	2.3	0.4	0.7	1.4	2.9	2.8
World Growth Based on Market Exchange Rates	3.3	0.2	0.2	3.3	3.3	3.0
World Trade Volume (goods and services)	4.6	0.6	0.5	...	...	...
Advanced Economies	4.3	0.6	0.7	...	...	...
Emerging Market and Developing Economies	5.1	0.4	0.2	...	...	...
Commodity Prices (U.S. dollars)						
Oil	11.7	11.9	-5.0	19	-0.9	-3.9
Nonfuel (average based on world commodity export weights)	-0.5	-1.0	1.5	1.2	1.2	1
Consumer Prices						
Advanced economies	1.9	0.2	0.1	1.6	2.1	2.1
Emerging Market and Developing Economies	4.5	0.1	0.2	3.7	3.9	3.6
London interbank Offered Rate (percent)						
On U.S. Dollar Deposits (six month)	2.3	0.4	0.5	...	...	...
On Euro Deposits (three mont)	-0.3	0	-0.1	...	...	...
On Japanese Yen Deposits (six month)	0	-0.2	-0.1	...	...	...

Fuente: Fondo Monetario Internacional (WEO, enero 2018).

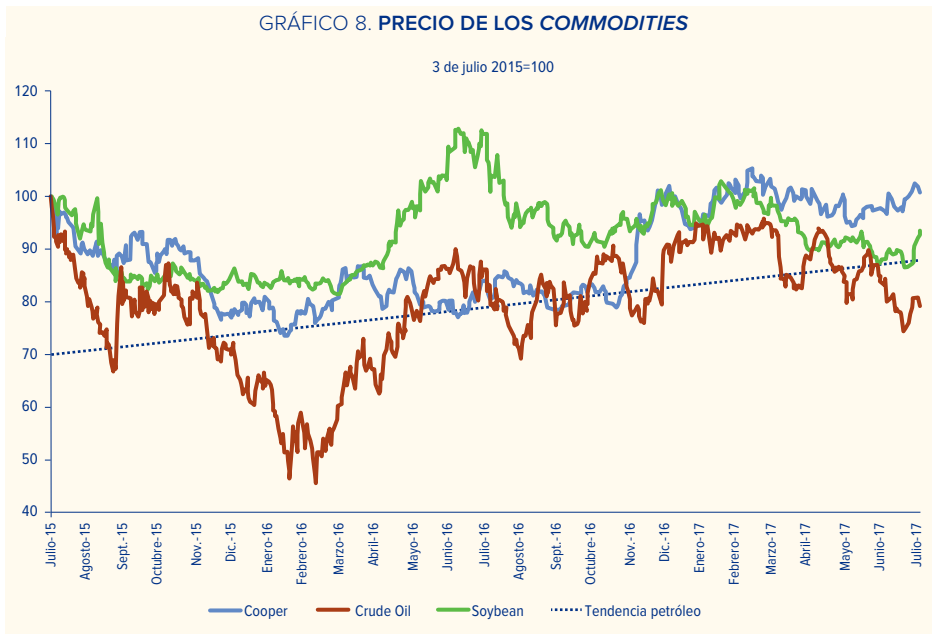
No es, en modo alguno, un escenario trágico. Quizás sea lo suficientemente sólido como para amortiguar los golpes que proceden de la política y la diplomacia internacional. En todo caso, algo similar – o peor – que esto es lo que vamos a enfrentar durante algún tiempo, así que mejor ver cómo nos cuadra y cuando empezamos a ajustarnos a él.

III. LATINOAMERICA: LOS AÑOS EN LOS QUE VOLVIMOS A VIVIR PELIGROSAMENTE

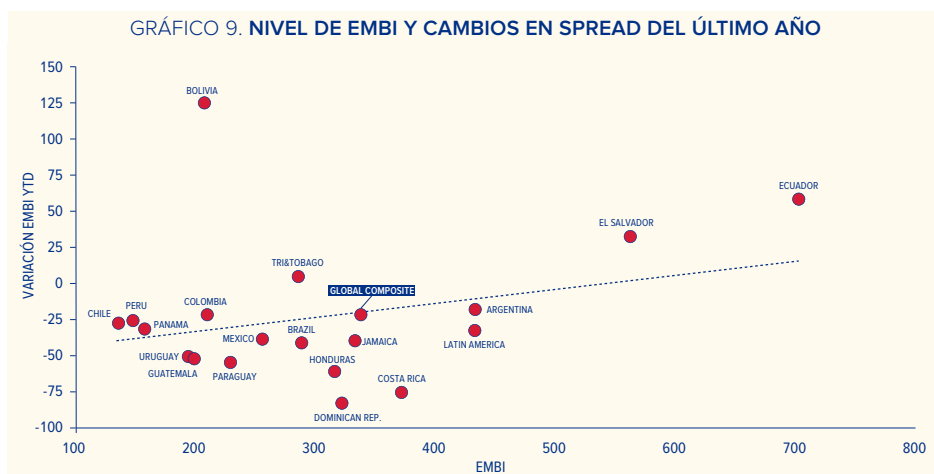
¿Como afectó a LAC este mundo más amable? Muy positivamente: los precios de los commodities se recuperaron, los spreads de deuda cayeron, la región pudo emitir ampliamente y, además, la caída de la inflación abrió espacios para una política monetaria más amable con el crecimiento, especialmente en Brasil. El resultado neto fue que de 7 países en recesión en 2016 ... pasamos a 3 y la región volvió a crecer en torno al 1 %. El consenso es que en 2018 LAC crecerá en torno al 2.6%.

¿Nos pasó algo más?

Sí. Mejoró la situación de la balanza corriente, la posición de Reservas internacionales siguió siendo sólida, el ajuste fiscal prosiguió, aunque a un ritmo menor del necesario y, por tanto, la deuda pública como porcentaje del PIB volvió a aumentar hasta situarse en el 50%. La situación macro – en ausencia de shocks externos o internos – es sostenible y esta evaluación no es voluntarismo: S&P – tras el downgrade de Brasil – ve a la región con ratings estabilizados, y con 8 países con Investment grade. (Grafico 5 y 6 y Cuadro 2)



Fuente: Reuters.



Fuente: Reuters.

En el Cuadro 2, se detallan las emisiones en los 12 meses corridos de los países miembros del BID. Como se puede observar en términos brutos, por criterio de residencia, América Latina está emitiendo en promedio alrededor de US\$ 110 mil millones. Es decir, crecimos en 2017 – y volveremos a hacerlo en 2018 - a unas tasas moderadas – inferiores al 2% - y por debajo de nuestro potencial, apoyándonos es el ahorro externo.

Aunque no es infrecuente en nuestra historia económica, no deja de ser una forma peligrosa de vivir. Sobre todo, cuando el mundo se apresta a una normalización monetaria, los tipos de interés globales están comenzando a repuntar, el dólar a fortalecerse y las condiciones de acceso a lo mercado a endurecerse.

CUADRO 2. EMISIONES BRUTAS
Millones de US\$

Issuer residence	TRIMESTRES			12 MESES CORRIDOS
	2016-Q3	2016-Q4	2017-Q1	2017-Q1
AR: Argentina	7,210	5,253	13,638	46,781
MX: Mexico	10,452	10,693	9,055	34,215
CO: Colombia	260	522	2,767	5,200
BS: Bahamas	955	1,158	2,292	5,087
EC: Ecuador	2,000	750	1,000	3,750
CL: Chile	1,441	1,518	555	3,562
BR: Brasil	1,505	0	1,700	3,229
PE: Peru		1,934	606	2,890
PA: Panamá	96	767	270	1,843
TT: Trinidad y Tobago	1,000	600		1,600
GT: Guatemala			500	1,550

Uy: Uruguay	1,147			1,147
JM: Jamaica	743			743
PY: Paraguay		500		511
CR: Costa Rica				500
BB: Barbados				0
BO: Bolivia				0
BZ: Belize				0
SR: Suriname				0
SV: El Salvador				0
VE: Venezuela				0
LAC	26,809	23,195	32,883	112,608

Fuente: Reuters

Como mencionaba, América Latina creció en 2017 alrededor de un 1,5%, porque 2 grandes países – Brasil y Argentina, ambos en recesión en 2016 – volvieron a crecer y dejaron de restar crecimiento al promedio regional. que detraían crecimiento al promedio. Pero cuando se analiza el patrón de crecimiento con más detenimiento, la verdad es que 10 países de los 26 que son miembros del BID están crecieron en 2017 por debajo de sus registros de 2016.

Latinoamérica: Nos hemos librado ... pero crecemos muy poco, Y aunque en parte lo hagamos porque tenemos mejores políticas, en muy buena medida ese crecimiento proviene de haber sido capaces de disfrutar en 2017 y 2018 de un entorno externo más benigno y tolerante.

Pero, en mi opinión, sería bastante imprudente pensar que el ajuste que hemos realizado entre 2014-2016 no ha debilitado macroeconómicamente a la región.

Creemos, pero las brechas de infraestructura, calidad institucional o capital humano no se han cerrado de forma significativa. Y las reformas necesarias se han vuelto a postergar porque llevarlas a cabo requerían de un capital del que no gozaban nuestros gobernantes.

Se han hecho muchas cosas - la inflación felizmente ha sido dominada - pero en otras se ha retrocedido: el déficit público ha pasado de 1% del PIB a 4% del PIB, hemos pasado de tener un superávit primario del 1% del PIB a tener un déficit primario del 2,3% del PIB, y la cuenta corriente - después del gran choque de commodities de 2014 - pasó de un déficit del 1% a un superávit del 2% del PIB porque la inversión en el continente cayó 3 puntos, no porque la tasa de ahorro mejorara. De hecho, la tasa de ahorro se ha contraído 4 puntos y su nivel ha caído a apenas el 17%. Por otra parte, los ingresos públicos han caído 2 puntos mientras que el gasto público está estabilizado prácticamente.

Y finalmente, en mundo que camina hacia una normalización monetaria, la deuda publica bruta de la región ha aumentado casi 12 puntos del PIB desde 2008 y la deuda externa ha aumentado otros 10 puntos del PIB.

Aunque la región presenta la heterogeneidad habitual, aunque en algunos de los anteriores resultados regionales el peso de las grandes economías es determinante, de una forma u otra, todos los países de la región comparten en lo básico las anteriores tendencias en la evolución de sus equilibrios macro.

IV. QUE HABRÍA QUE ESTAR HACIENDO

Forma parte del ritual del macroeconomista aconsejar una reducción del déficit público. En el BID nos gusta asentar nuestras recomendaciones de política económica en la evidencia y reconocer los avances de los países, aunque sean insuficientes

Por eso, hemos venido repitiendo que, en los últimos 2 años, la región ha hecho grandes esfuerzos por reducir su déficit público y por ajustar su cuenta corriente.

En el caso del déficit público en el BID comenzamos hace 5 años una encuesta en la que le pedíamos a nuestros economistas dos veces al año - al principio del año y en septiembre - que valoraran si existía un programa fiscal, cuál era su contenido y cuál era el ajuste al que se pretendía. Cuando comenzamos a hacer este ejercicio solo había 3 países en América Latina que anunciaban y detallaban un programa fiscal. Hoy 18 países de los 26 que constituyen el BID han anunciado un programa de consolidación fiscal. Hace 3 años, en 2014, el efecto combinado de esos programas era de una reducción del déficit de aproximadamente 2,8 puntos: Un punto por incremento de ingresos, y 1,8 puntos por reducción del gasto (más de un punto por reducción de gasto corriente).

Lo que hemos visto en las últimas 3 entregas de estas encuestas es que el esfuerzo se mantiene y la calidad mejora. Cada vez es mayor el énfasis en hacer ajuste a través de una reducción del gasto corriente y de una reducción menor del gasto de capital.

Se avanza, sí. Pero muy gradualmente. Y la pregunta a hacerse es si resulta prudente combinar bajo crecimiento, con pocas reformas, y una creciente pérdida de reputación de la democracia y los políticos. Probablemente no lo sea en presencia de los 5 riesgos globales que pueden definir 2018.

A saber:

- Que los problemas Geopolíticos se agraven y pongan en jaque el liderazgo, la estabilidad de las instituciones Internacionales y el cumplimiento de las Reglas que subyacen al mundo liberal y abierto post II Guerra Mundial.

- Que se mantenga o agrave el problema del lento crecimiento de la Productividad tanto en los Desarrollados como en los Emergentes, y se mantengan las tendencias al aumento de la Desigualdad, dando así pie al avance de los Populismos de izquierda y derecha.
- Que la sociedad siga oyendo hablar los riesgos que conlleva la Revolución Tecnológica – la concentración de la riqueza, la automatización del trabajo, la obsolescencia profesional, la pérdida de intimidad, la erosión del capital social, el aumento de la incertidumbre sobre el futuro, etc. - y que sienta ninguna de sus ventajas en términos de mayor crecimiento o aumento del salario real. El backlash tecnológico – los luditas del Siglo XXI - es un riesgo que no se debería infravalorar.
- Que se produzca – especialmente en EE. UU. – una sorpresa inflacionaria que acabe con el consenso de que estamos en una etapa de inflaciones estructuralmente bajas. La reacción abrupta de los Bancos Centrales tendría efectos sobre el crecimiento, pero todavía sería peor su pasividad: pérdida de reputación de una de las pocas instituciones que desde 2008 realmente han hecho “whatever it takes” para evitar el colapso del orden internacional.
- Que, como consecuencia de lo anterior, los tipos de interés suban e impacten a sectores privados y públicos que no se han desapalancado suficientemente (más bien han aumentado su deuda) y a Gobiernos que han optado por el gradualismo confiando en que los mercados estarán permanente abiertos a sus emisiones

¿Dónde están los riesgos y las oportunidades?

Entre el año 2000 y 2017, la mayoría de los países han logrado reducir su brecha de prosperidad relativa frente a EE. UU. 19 de los 26 miembros del BID lo lograron. Algunos de una manera admirable – Panamá, R. Dominicana, Peru...– otros solo muy marginalmente – Guatemala, Brasil, Argentina... –. En promedio es un éxito...pero es un proceso de convergencia muy lento e insuficiente.

Además, el crecimiento potencial de LAC se está desacelerando. Por ello, necesitamos situar el Crecimiento como Prioridad regional y nacional, y construir consensos para una nueva oleada de reformas. Tenemos un Contrato Social que consigue mejorar nuestro nivel de Desarrollo Humano más de lo que nos correspondería por nuestro nivel de renta. Eso prueba que la región tiene la voluntad de adoptar políticas públicas y apoyar iniciativas privadas que buscan el crecimiento inclusivo. Pero no hemos conseguido todavía tener instituciones y diseñar políticas que permitan hacer los avances más intensos, inclusivos e irreversibles.

Y todo ello hay que hacerlo siendo conscientes de que acumulamos problemas estructurales de corrupción, violencia, rule of law, eficiencia, calidad de la regulación que son importantes y que se han mostrado muy resistentes a las reformas que se han venido implementando. Y que los niveles de desigualdad de riqueza, renta y oportunidades siguen siendo materiales y suponen auténticas amenazas al objetivo de tener sociedades abiertas, sostenibles, innovadoras e inclusivas

Pero la pasividad no es una opción. La Historia nos lo demuestra con contundencia. La mitad del progreso de nuestra renta per cápita en los últimos 150 años la explica el nivel de renta que teníamos en 1850. Si seguimos atrapados en este bucle, tardaríamos otros 150 años en llegar a los niveles de renta que hoy delimitan el Desarrollo.

Es el tiempo de Crecer.

Con el 80% de la Región yendo a elecciones entre 2018-2019 es el momento de crecer. No se puede seguir esperando a Godot del crecimiento. Hay que generarlo. Hay que impulsarlo con Transparencia, Seguridad Ciudadana, Innovación, Infraestructuras, Educación, Diversificación Productiva, Sostenibilidad medioambiental....

A Godot lo refuta Mario Benedetti: “en la vida hay que evitar tres figuras geométricas: los círculos viciosos, los triángulos amorosos y las mentes cuadradas”

Hay que pensar mucho más innovadoramente. No hay que tener mentes cuadradas. Tomen el caso del gasto público. Siempre hemos hablado de un ajuste del nivel de gasto público, y muy pocas de mejorar su eficiencia o su equidad. Gastar más no es sinónimo de más calidad, más eficiencia o más equidad.

Por ejemplo, gastar más en educación no es sinónimo de tener una mejor educación. Y esta dimensión la tenemos que introducir en nuestro debate. La calidad del gasto es la que va a determinar si avanzamos o retrocedemos.

Esperar el crecimiento sin mejorar la productividad es inútil. Eso sí que es esperar a Godot. Sin crecimiento de la productividad no hay probabilidad de que América Latina tenga un crecimiento sostenido e inclusivo. En las últimas décadas, la productividad de América Latina no ha convergido lo suficiente para saltar al desarrollo. Nuestra productividad de los factores creció poco.

Tenemos un gravísimo problema de informalidad laboral. El 52% de los latinoamericanos trabajan en la economía informal, en microempresas de muy baja productividad y muy baja inversión en capital humano que no están integradas a las cadenas globales. Sin reducción de la informalidad, creo que hay muy pocas probabilidades de mejorar.

Tenemos un nivel de integración comercial muy bajo. Nuestro reporte macroeconómico de 2017 se ha dedicado, al igual que el del Banco Mundial, a los temas de integración regional como plataforma para mejorar nuestra integración en la económica global. América Latina tiene 32 acuerdos preferenciales firmados; pero tiene 38 juegos de reglas de origen que regulan estos acuerdos comerciales. Esto hace la especialización e integración costosa porque es difícil interpretar esos acuerdos, y explica por qué nuestro comercio ha crecido de forma tan moderada con algunas excepciones.

Tenemos problemas de infraestructura, de corrupción, de violencia y de crimen. Son temas que de forma sistemática nos suministra la gente en nuestras consultas. Adicionalmente, la gente menciona estos problemas junto con el desprestigio de las élites y la des-legitimización de la política.

Estoy convencido que lo determinante hoy es gastar mejor. Tenemos que empezar a diseñar políticas que estén basadas en la evidencia. Políticas públicas que sean realizadas experimentando e innovando. Tenemos que evaluar los resultados de esas políticas y adaptarlas para que el objetivo sea mejorar la eficiencia y la equidad.

América Latina gasta USD 80.000 millones en educación primaria, y solo se han hecho 13 evaluaciones de impacto sobre esta política en toda América Latina. Sin la evaluación de nuestras políticas es imposible corregir los errores y adaptarlas a lo que está ocurriendo. Adicionalmente, la política de evaluación te da la salida de ese eterno debate de ajuste, puesto que es un tema de reasignar nuestras capacidades para utilizar, innovar y desechar las políticas públicas. Sin esto, mejorar la productividad va a ser muy complicado.

Conclusiones

El mensaje central de mi presentación es intentar introducir esas políticas públicas basadas en la evidencia. Creemos que, frente al relato de la historia de nuestro pasado, América Latina necesita políticas públicas que estén basadas en la eficiencia, que sean medibles y que nos permitan mejorar el crecimiento potencial. Sin eso, creo que vamos a seguir esperando a Godot y es una pena. Solo hay que olvidarse de las ataduras del pasado y pensar de una forma mucho más innovadora, con unas administraciones públicas que están mucho mejor dotadas de capital humano que hace 25 años. El capital humano que nuestros países han acumulado hay que explotarlo con políticas que realmente tengan una base racional y sean sostenibles.

El presidente francés Emmanuel Macron dirigió hace unos meses a la Cámara norteamericana unas palabras que están en las antípodas del pesimismo de los personajes de Beckett:

Contra la ignorancia tenemos la educación. Contra el cinismo, la verdad y la buena fe. Contra el fanatismo, cultura. Contra la enfermedad y las epidemias, tenemos la medicina, Contra las amenazas sobre el planeta, la ciencia. Steve Pinker, en su libro más reciente glosando el espíritu de la Ilustración, remacha con valentía: los populistas están en el lado oscuro de la Historia. Y Obama, con clarividencia, remató en su discurso ante los graduados de Rutgers University en 2018 con una oportuna reflexión: “En la vida y la política, la ignorancia no es una virtud”.

Creo que esa es la forma socialmente provechosa de aproximarse al análisis de nuestra región. Con datos objetivos que nos permitan contrastar hipótesis y proponer remedios.

*Panel sobre retos de
los bancos centrales
de América Latina*

¿ *Cuál considera que es el principal reto para los Bancos Centrales de la región para enfrentar el último choque de términos de intercambio y el cambio en las condiciones de financiamiento externo?*

Los retos son múltiples y en términos de institucionalidad se han hecho muchos avances. Creo que difícilmente podemos responsabilizar de las cosas a los problemas de institucionalidad de los bancos centrales y su relación con los gobiernos, con los fiscos y con los congresos.

El contexto internacional que estamos enfrentando está caracterizado por un ajuste en los precios de los *commodities*, así como por la incertidumbre en el terreno político global. Este grado de incertidumbre afecta de manera inmediata y globalizada los movimientos financieros, los flujos de capitales y los desafíos macroeconómicos para países pequeños como los nuestros. Hace poco tiempo estaba en Londres en una conferencia donde un italiano decía que existen dos tipos de países europeos: los que eran pequeños y los que todavía no se habían dado cuenta que eran pequeños. Entonces, imagínense que si eso funciona para Europa qué será para nosotros. Esta incertidumbre política supera los beneficios de la menor volatilidad de los mercados financieros, y representa desafíos macroeconómicos para nuestros países.

Para enfrentar esos choques, se debe entender que hay múltiples objetivos de la política económica que hay que resolver de manera simultánea: la estabilidad de precios, la estabilidad financiera, la sustentabilidad de las cuentas públicas y la competitividad de nuestras empresas. Hay que resolverlas con políticas económicas consistentes. Por lo tanto, la consistencia y la coordinación entre las autoridades monetarias, fiscales y financieras es fundamental. Lejos del fundamentalismo de los temas de la autonomía o la independencia de los bancos centrales, creo que aun cuando la institucionalidad garantice lógicas de

autonomía, la coordinación y la consistencia de políticas es fundamental para afrontar estos desafíos.

A la lógica de objetivos múltiples y de consistencia de políticas hay que agregar una dimensión para la política macroeconómica que es razonar el manejo de riesgos. Estamos sistemáticamente expuestos a choques y cuando se habla de tener políticas anticíclicas, se habla de incorporar y atravesar las políticas económicas con el *risk management*, entender las vulnerabilidades de cada economía, preparar plataformas de seguros que adoptarán múltiples formas según el país, para afrontar los momentos complicados.

Creo que nos engañamos a nosotros mismos cuando hablamos de políticas anticíclicas solo cuando estamos en la fase baja del ciclo. El hacer consistente las políticas anticíclicas con la estabilidad macroeconómica, pasa por ser anticíclico en las fases positivas del ciclo. Creo que esa es una forma de visualizar la incorporación del *risk management* al diseño y la implementación de políticas macroeconómicas.

Así que ese conjunto de objetivos múltiples, políticas consistentes y manejo de riesgos es la forma de afrontar los retos que el contexto externo de incertidumbre, de choques y de volatilidad que nos está desafiando de manera casi permanente.

Los últimos datos de la economía de Estados Unidos vienen marcando una continuidad de la recuperación, esto sin duda viene acompañado de la continuidad en los incrementos de la tasa de interés por parte de la Reserva Federal. Sin embargo, la región está experimentando una reducción de las presiones inflacionarias, lo que facilita una reducción de las tasas de política monetaria. ¿Qué tan factible ve usted hacer el relajamiento de la política monetaria a nivel doméstico bajo este contexto internacional?

Voy a unir un poco lo que se está planteando en esta pregunta, a una cosa que dije antes sobre tener multiplicidad de objetivos en la política económica en general, y también lo que decía Julio Velarde en su intervención. Cuando hablamos de la consistencia de políticas, también hablamos de la consistencia de los mensajes que dan las autoridades. La consistencia de políticas tiene que incorporar el dialogo entre el Ministro de Hacienda y el Banco Central u otras autoridades. Es parte del diseño de la política el diseño comunicacional, porque en un mundo tan incierto como el de hoy, es muy difícil saber lo que va a pasar de aquí a 6 meses o a un año. Hoy pensar en el largo plazo, no es pensar en 2050, es pensar en 5 años, y en términos de pronósticos es pensar en 6 meses. Así que la clave para mantener la credibilidad son las expectativas.

Ahora quiero hacer un pequeño paréntesis, para mencionar que en realidad lo importante no son tanto las expectativas en las subas de la tasa de interés, sino la expectativa del fortalecimiento del dólar. Hoy hay expectativas de que las tasas de interés suban, pero no existen expectativas de un fortalecimiento del dólar a nivel global y eso es lo que determina más los flujos de capitales. A pesar que todos esperamos subas de tasas de interés de la FED, estamos recibiendo capitales porque los mercados no están anticipando un fortalecimiento del dólar a nivel global y, por lo tanto, vuelven a buscar un punto de rentabilidad en los países emergentes.

Con respecto a la cuestión de ir sopesando objetivos, nosotros hoy observamos tasas de inflación que han venido bajando. Si bien el banco central siempre va a tener un sesgo a la contracción, no podemos negar que esta situación nos da algún margen para tener políticas monetarias consistentes con otros objetivos de política económica. Hoy hablaba de objetivos múltiples de la política económica, la estabilidad de precios, la estabilidad financiera, la sustentabilidad de las cuentas públicas y la competitividad desde el punto de vista macro. Yo creo que uno no puede hacer política monetaria sin considerar la necesidad de que todos esos objetivos se tienen que ir resolviendo de manera simultánea. Creo que estamos en una circunstancia donde la política monetaria puede tener un poco más de flexibilidad.

Ahora, coincido también con lo que decía Jose Darío Uribe, es decir, que no se le pida a la política monetaria resolver los temas de la competitividad y del crecimiento. Evidentemente en el mundo hay cambios en términos de demanda y tecnología, que no son cosas compensables con política monetaria. Que la política monetaria pueda ayudar un poco al conjunto de estos objetivos es cierto, pero no va a sustituir ni la disciplina fiscal ni los factores de productividad que en última instancia son los que determinan la competitividad de las empresas.

La estabilidad financiera puede pensarse de dos formas en la región: i) El modelo del pacífico, donde la estabilidad tiene una institución descentralizada y ii) El modelo atlántico donde la estabilidad está centralizada en el Banco Central. Bajo este contexto, ¿Deben los bancos centrales tener un mandato claro referente al objetivo de estabilidad financiera? y ¿Debería incluirse la estabilidad financiera dentro del marco de política de inflación objetivo?

Me gustaría segmentar un poco este tema en 4 puntos.

El primero es sobre el tema de los mandatos. Yo creo que en general hay una falacia de falsa oposición, término que permito tomar de Carlos Vaz Ferreira,

un filósofo uruguayo. Acaso ¿Nosotros podemos trabajar para la estabilidad monetaria y la estabilidad de precios en un contexto de inestabilidad financiera? Yo creo que naturalmente, este o no escrito en la carta orgánica, un banco central tiene que velar por la estabilidad financiera porque es parte del soporte de la efectividad de la política monetaria, además de otros objetivos.

En segundo lugar, el banco central trabaja en la estabilidad macro y eso puede afectar la estabilidad financiera. Cuando uno a veces trata de intervenir, con objetivos de suavizar la volatilidad en el mercado cambiario, es por objetivos de estabilidad financiera también. Cuando uno no deja apreciar la moneda por factores circunstanciales, de manera drástica, es porque está pensando también en la estabilidad de los balances de los bancos, de las empresas, de las personas, del estado, temas de estabilidad financiera también. Hay un componente de la estabilidad macroeconómica, a la cual obviamente el banco central contribuye, que naturalmente tiene objetivos de estabilidad financiera.

El tercer punto es sobre la lógica de la regulación y la supervisión financiera. Yo soy ferviente partidario de tener una cabeza única para la regulación financiera, que puede o no estar dentro del banco central. Esto último depende de factores institucionales e idiosincrásicos de cada país. Está claro por las experiencias nuestras y por la experiencia de la crisis financiera global que todos los mercados financieros están cada vez más interconectados. Que la regulación que debe hacerse en base a riesgos, debe procurar los arbitrajes regulatorios porque si no los riesgos viajan de un agente y de un mercado al otro, hacia las áreas menos reguladas y ahí es donde se generan las bombas de tiempo y todo explota. Sumado a esto, hoy en día nos enfrentamos a importantes desafíos con relación al impacto tecnológico sobre los procesos de transacciones financieras, desafíos para entender como el funcionamiento de las plataformas tecnológicas son o no disruptivas, como interactúan con las entidades financieras tradicionales, factores que terminan por afectar la estructura de costos de transacción y de asimetrías de información.

El cuarto punto es lograr una visión consistente entre las distintas cabezas de la política económica porque la red de seguridad financiera está compuesta por varios agentes, el regulador, el banco central, el asegurador de depósitos. Incluso cuando los problemas son sistémicos, sabemos que la única espalda financiera posible de operar es la del fisco. Por lo tanto, también los Ministerios de Hacienda deben incorporarse a una evaluación permanente y consensuada de los riesgos sistémicos. Por eso, considero que la proliferación de los comités de estabilidad financiera, unos mejor diseñados que otros, es muy importante para sentar en la misma mesa a todos estos agentes. Debe-

mos generar una construcción institucional positiva para establecer comités de estabilidad financiera, que no deben tener potestades de decisión, sino más bien, de evaluación conjunta del riesgo y de coordinación y dialogo sobre las medidas, que después cada uno debe tomar en función de sus respectivos mandatos.

En todo caso, en términos generales, la estabilidad financiera es fundamental para la estabilidad monetaria, para la estabilidad productiva, para la competitividad, para las cuentas públicas, es decir, para la resolución de todo el conjunto de objetivos de política económica.

LUIS JÁCOME

Jefe adjunto de la División de Banca Central,
Fondo Monetario Internacional

? *Cuál considera que es el principal reto para los bancos centrales de la región para enfrentar el último choque de términos de intercambio y el cambio en las condiciones de financiamiento externo?*

América Latina no es una región uniforme en cuanto a la estructura económica de sus países. Por lo tanto, el impacto de los choques externos y la respuesta de política económica no son iguales para todos los países de la región. Los países de América del Sur son mayoritariamente exportadores de “commodities”, mientras que los de América Central son mayoritariamente importadores de “commodities” y la economía de México está muy integrada a la de Estados Unidos. Frente al choque adverso de términos de intercambio y a la paulatina contracción de la política monetaria en Estados Unidos, los bancos centrales en América del Sur enfrentan el dilema de subir o no subir la tasa de interés, lo cual es, en sí mismo, un importante desafío de política monetaria, que no existe en el resto de los países de la región.

El dilema se presenta porque, por una parte, la caída en los términos de intercambio está asociada con una brecha del producto negativa, que lleva a los bancos centrales a favorecer una disminución en la tasa de interés que amortigüe el impacto adverso del choque externo en la actividad económica. Por otra parte, este mismo choque externo, junto a la posible subida de la tasa de interés en Estados Unidos, provocan una salida de capitales. Esto induce a los bancos centrales a subir la tasa de interés a fin de contener dicha salida de capitales y su impacto en el tipo de cambio y en la inflación, lo cual equivale a tomar una decisión de política monetaria en la dirección contraria. Le corresponde a cada país evaluar cuál es la política óptima; es decir, hasta dónde puede el banco central subir la tasa de interés sin causar un impacto mayor en la actividad económica, o bajar la tasa de interés, sin provocar una subida en las expectativas de inflación.

Más allá de la pregunta planteada, los bancos centrales de América Latina enfrentan un desafío de mediano y largo plazo, que creo vale la pena mencionar en este panel. Me refiero al cuestionamiento que es posible que se dé en el futuro respecto a la independencia de los bancos centrales. Como sabemos, la independencia de la banca central ha recibido cuestionamientos en los países avanzados luego de la crisis financiera que se inició en 2008. Por una parte, está la crítica de Blanchard que plantea que la actual independencia de los bancos centrales fue concebida para una realidad diferente de la que hoy vivimos, en la que los bancos centrales deben tener responsabilidades adicionales, particularmente de orden macroprudencial, para prevenir crisis financieras. Por otra parte, tenemos la crítica de Summers que propone que la política monetaria debe formularse con mayor colaboración con la política fiscal a fin de alcanzar un mejor desenvolvimiento macroeconómico. Otras propuestas son más radicales y sugieren que el banco central entregue crédito al gobierno para ayudar al crecimiento económico.

Si bien el debate sobre la independencia de la banca central se ha concentrado en los países avanzados, no debemos descartar que se extienda a otras regiones en desarrollo, pues el pensamiento sobre la banca central es global. Además, las condiciones están dadas para que el debate sobre la independencia de la banca central tenga acogida en América Latina. Basta recordar que nuestra región tiene una historia de crisis financieras como ninguna otra en el mundo. Por otra parte, y más importante aún, las proyecciones del crecimiento potencial de la región son, en el mejor de los casos de algo más de 2%, según el Fondo Monetario Internacional. Este bajo crecimiento podría convertirse en una amenaza para la independencia de la banca central, en la medida que su política monetaria se vea presionada por los Gobiernos para favorecer el crecimiento y para ser más tolerantes con la inflación.

Frente a esta posible amenaza, América Latina tiene que sacar lecciones del pasado. Nos tomó casi 80 años alcanzar la estabilidad de precios que hoy se observa en la mayoría de los países. Si bien los bancos centrales deben ajustarse a los nuevos desafíos que nos presenta la economía post-crisis global, los cambios no se deben hacer sacrificando los logros alcanzados, específicamente la estabilidad de precios, y para ello, es necesario precautelar la independencia de la banca central.

Los últimos datos de la economía de Estados Unidos vienen marcando una continuidad de la recuperación, esto sin duda viene acompañado de la continuidad en los incrementos de la tasa de interés por parte de la Reserva Federal. Sin embargo, la región está experimentando una reducción de las presiones inflacionarias, lo que facilita una reducción de las tasas de política monetaria. ¿Qué tan factible ve usted hacer el relajamiento de la política monetaria a nivel doméstico bajo este contexto internacional?

Los bancos centrales deben en todo momento actuar apegados a su manejo de metas flexibles de inflación, al menos en los países que tienen este régimen de política monetaria. Pero, obviamente, hay circunstancias para cada país que hacen que la dirección de la política monetaria no deba ser la misma. Importantes elementos de juicio para definir la postura de política y su efectividad son, en particular, en qué momento del ciclo económico se encuentra cada país, cuán efectiva es la comunicación del banco central y cuán robusta es su credibilidad.

En aquellos países de la región que tienen su ciclo económico asociado al de los Estados Unidos, no se da el problema planteado en la pregunta del moderador. Sin embargo, hay un grupo de países en América Latina en donde el ciclo económico no está sincronizado con el de Estados Unidos, debido a que mantienen un intercambio comercial muy activo con China, en donde la demanda agregada se ha desacelerado. Es en estos países, los bancos centrales deben priorizar la baja de la tasa de interés, en la medida que se mantengan ancladas las expectativas de inflación y con ello apoyar a la actividad económica. La evidencia empírica muestra que los bancos centrales de los países emergentes sí tienen autonomía para manejar la política monetaria en un mundo de abundantes flujos de capital, al menos en lo que tiene relación con la tasa de interés de política, en particular en países que mantienen una tasa de cambio flexible. Más allá de las consideraciones del ciclo económico, son importantes la efectividad de la comunicación del banco central y su credibilidad. La bondad de la comunicación y la fortaleza de la credibilidad se reflejan en el anclaje de las expectativas de inflación. En esta perspectiva, hay países de la región en donde las expectativas fluctúan alrededor de la inflación objetivo dentro de rangos pequeños de variación y hay otros en donde las expectativas de inflación fluctúan mayoritariamente por encima de la meta de inflación. Es en el primer caso que la comunicación y la credibilidad del banco central contribuyen de mejor manera a la efectividad de la política monetaria.

La estabilidad financiera puede pensarse de dos formas en la región: i) El modelo del pacífico, donde la estabilidad tiene una institución descentralizada y ii) El modelo atlántico donde la estabilidad está centralizada en el Banco Central. Bajo este contexto, ¿Deben los bancos centrales tener un mandato claro referente al objetivo de estabilidad financiera? y ¿Debería incluirse la estabilidad financiera dentro del marco de política de inflación objetivo?

Me pone un poco nervioso pensar en abrir la Ley del Banco Central para incorporar un nuevo mandato. Más importante, ¿es esto realmente necesario? Los bancos centrales en la práctica velan por la estabilidad financiera. Están

conscientes que el objetivo de estabilidad de precios no es posible si no hay estabilidad financiera. Incluso aceptan que, en el corto plazo, el objetivo de estabilidad de precios puede quedar relegado a un segundo plano si existe la necesidad de entrar a apagar un gran incendio en el sistema financiero. Además, América Latina ha aprendido del pasado y se han dado pasos hacia adelante para crear una mejor institucionalidad para preservar la estabilidad financiera. Sin embargo, es necesario hacer más, especialmente en el ámbito macroprudencial, a fin de prevenir la generación de vulnerabilidades de orden sistémico.

Los bancos centrales del modelo Atlántico, como en Argentina y Brasil, tienen más fácil esta labor porque el manejo de la estabilidad financiera está en gran parte dentro del banco central, como regulador y supervisor bancario. Aun así, es necesario incorporar otras áreas de posible importancia sistémica, como las empresas de seguros y los mercados de valores, dentro de un comité de análisis y decisión macroprudencial.

En los países en que existe el modelo Pacífico se han creado comités de estabilidad financiera, como en Chile y México, a fin de lograr una coordinación de la política macroprudencial. Sin embargo, este arreglo institucional es muy débil pues carece de poderes para exigir la aplicación de las políticas recomendadas. Uno puede decir que no hace falta que estos comités tengan poderes de decisión, a fin de respetar las autonomías de las instituciones; pero el papel que hoy juegan estos comités es insuficiente, puesto que sólo pueden analizar y recomendar. Para corregir esta debilidad, se podría emular la experiencia de Inglaterra, donde las instituciones responsables de ejecutar las políticas tienen la obligación de “cumplir o explicar”. Por ejemplo, cuando el Comité de Política Financiera (FPC, por sus siglas en inglés) recomienda el uso de un determinado instrumento macroprudencial, los reguladores a cargo de dicho instrumento deben ejecutar esta decisión y, si no lo hacen, deben explicar públicamente la razón por la que no se ejecuta. En América Latina este tipo de provisiones le darían más poder al comité de estabilidad financiera en beneficio de la ejecución de las políticas recomendadas y de preservar la estabilidad financiera y, a la vez, se mantendría la independencia de las instituciones ejecutoras.

Finalmente, pienso que es inconveniente incluir el objetivo de estabilidad financiera dentro de la función de reacción de política monetaria del banco central. Al contrario, creo que es importante separar las dos funciones de política económica, aunque manteniendo coordinación, estableciendo una diferenciación clara entre las políticas monetaria y financiera y asignando instrumentos específicos a cada una de ellas; la tasa de interés para la política monetaria y los instrumentos macroprudenciales para la política financiera.

¿ *Cuál considera que es el principal reto para los Bancos Centrales de la región para enfrentar el último choque de términos de intercambio y el cambio en las condiciones de financiamiento externo?*

En la región tenemos países exportadores de productos básicos, que en su gran mayoría están en América del Sur, y países importadores de productos básicos, localizados en América Central y el Caribe, principalmente. Con la caída de los precios internacionales de los productos básicos tenemos un choque negativo de términos de intercambio en los países exportadores, y un choque positivo en los importadores.

El principal reto de política monetaria para los países exportadores de productos básicos es evitar la tentación de querer hacer con la política monetaria, lo que esta no debe o puede hacer; en particular, tratar de reestablecer, mediante una política monetaria en exceso expansiva, los crecimientos del producto que se observaron cuando los precios internacionales de los productos básicos aumentaban fuertemente, o se mantenían en niveles excepcionalmente altos.

Desde el punto de vista de los países importadores de productos básicos, el reto es fundamentalmente fiscal: evitar la tentación de usar el margen de ingreso que da la caída de los precios de los *commodities* para expandir, en exceso, el gasto, y generar crecimientos temporales de la economía. Cuando, posteriormente, los precios de los bienes importados vuelvan a subir, las dificultades fiscales del país se intensificarán y el accionar del Banco Central se hará más difícil.

Ahora me concentraré en los países exportadores de productos básicos. Un elemento central a tener en cuenta es que el choque de términos de intercambio ha sido muy fuerte y duradero, en particular para los países que son exportadores de petróleo. Todo parece indicar que no vamos a volver a ver niveles de precios del petróleo por encima de los US\$ 100 por barril. Esto tiene implicaciones fundamentales que se reflejan en todos los sectores de la economía.

Para entender mejor los retos de política debemos ser conscientes que muchos países aún se encuentran en un periodo de transición y que, en el mediano plazo, tendrán que lidiar con niveles de términos de intercambio más bajos que los observados antes de 2013. Partiendo de este punto de vista, el principal reto en el manejo de la política monetaria se puede dividir en dos elementos.

El primer elemento está relacionado con el efecto de *pass-through* en las economías con flexibilidad cambiaria, es decir, el impacto de la devaluación – que es la respuesta natural a la caída en los términos de intercambio – sobre la inflación. Este impacto es de naturaleza temporal y no debería ser motivo de gran dificultad. No obstante, en muchas de nuestras economías el incremento de la inflación asociado al *pass-through* terminó por afectar de manera importante las expectativas de inflación y activó mecanismos de indexación e, inmediatamente, generó retos en el manejo de la política monetaria.

El segundo elemento tiene que ver con la naturaleza permanente de la caída de los términos de intercambio. Esto significa una pérdida permanente en el ingreso nacional y, acorde con esto, la necesidad de hacer ajustes en el gasto. En la mayoría de los países, el principal candidato para hacer ese ajuste es el gobierno, dada la estructura de propiedad del principal *commodity*. Por lo tanto, el ajuste debería hacerse a través de la política fiscal. Sin embargo, no siempre se da una respuesta oportuna o apropiada desde la política fiscal y eso impone una sobrecarga al manejo de la política monetaria.

En síntesis, hay varios retos de política en la región desde que los términos de intercambio comenzaron a caer en 2013 y 2014. Ya ha transcurrido un buen tiempo, pero todavía nos encontramos en un periodo de transición o de adaptación a los nuevos niveles de términos de intercambio. Para los países exportadores de *commodities*, el principal reto es no caer en la tentación de pensar que con política monetaria podemos recuperar los crecimientos observados previos al choque. No debemos además olvidar que la caída permanente en los términos de intercambio muy probablemente tiene un efecto negativo sobre el crecimiento del producto potencial.

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Al igual que en la pregunta anterior tenemos una diversidad de países y por lo tanto no es posible dar una respuesta general. Las acciones de política monetaria de la Reserva Federal (FED) afectan a todos los países del mundo y de la región sin excepción. Esto lo vimos con las respuestas de política de los Estados Unidos a la crisis internacional - a través de la política convencional y la posterior política no convencional- que tuvieron impactos fuertes en nuestras economías y, por ende, en nuestras políticas.

El grado de autonomía de nuestra política monetaria en relación con el actual proceso de normalización de la política de la FED va a depender básicamente de tres factores. El primero es la fortaleza de los fundamentales que tenga cada país. Por ejemplo, durante el *taper tantrum* vimos cómo los países con fundamentales débiles mostraron mayor volatilidad en sus variables financieras. El segundo factor es el grado de flexibilidad cambiaria que tengan los países y acá la región tiene enormes diferencias. Hay una amplia gama de esquemas, desde países que flotan ampliamente hasta economías dolarizadas. El tercer factor es el grado de apertura de la cuenta de capitales y el grado de desarrollo del sistema financiero.

Entonces tenemos esos tres elementos y ahí se combinan de manera diferente en cada uno de los países. Los países con mayor flexibilidad cambiaria y que tienen más foco en variables internas para la toma de decisiones tienden a tener más autonomía que quienes tienen una tasa de cambio más rígida. Los países con niveles de apertura en la cuenta de capitales tienen menos margen de maniobra y la magnitud de las respuestas que puedan tener también dependerá de cómo están los fundamentales.

Habiendo dicho esto, existen un par de elementos que darían cuenta de por qué este proceso de normalización de la política monetaria en los Estados Unidos podría traer menos dificultades que en el pasado, al menos en muchas de nuestras economías:

- i. La subida de tasas de interés en los Estados Unidos se da como respuesta al mejoramiento en las condiciones de esta economía, la cual es fundamental para muchos de nuestros países en términos de comercio y de inversión. Entonces, la subida de tasas viene acompañada de una buena noticia;
11. La subida de tasas de interés de la FED probablemente va a ser gradual y alcanzará niveles muy inferiores a los que vimos cuando se dieron las normalizaciones de la política monetaria en los 90 o a comienzos de este siglo. Esto se explica porque hay una caída en la tasa de interés natural de los Estados Unidos por factores demográficos, por caída de la productividad y por el aumento en la demanda de activos.

Adicionalmente, a pesar de que hay elementos de nuestros fundamentales en algunos países que requieren mejora, es un hecho que en buena parte de las economías de la región los fundamentales son mejores hoy que los que teníamos en los años 90 o a principios de siglo. Bajo este escenario, yo creo que podemos estar más tranquilos y ser más confiados en que se puede tener una política monetaria con algún grado de autonomía frente a las subidas graduales de las tasas de interés la FED.

Por supuesto, existen riesgos de que en algún momento vengan choques que lleven a que esto no sea como lo estamos esperando hoy.

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Los bancos centrales no pueden estar ajenos al tema de estabilidad financiera, ya que tienen la responsabilidad de velar por el buen funcionamiento del sistema de pagos y son prestamistas de última instancia. Esto inmediatamente los incorpora dentro del tema de estabilidad financiera. Muchos de nuestros bancos centrales tienen la red de estabilidad financiera usualmente compuesta – por lo menos en el caso colombiano – por el Ministerio de Hacienda y Crédito Público o de finanzas, por la Superintendencia Financiera, por la entidad de seguro de depósitos y por el Banco Central.

Inclusive, los mandatos de los Bancos Centrales tienen que ver con inflación y con la suavización del ciclo económico, y como sabemos las grandes desviaciones del producto están usualmente asociadas a crisis financieras, así que el Banco Central tiene que estar presente.

Ahora, en los mandatos de los Bancos Centrales de los países del llamado modelo del Pacífico usualmente aparece el tema de velar por el sistema de pagos. La pregunta es si debe haber un mandato más claro. Yo pienso que es mejor un mandato claro que uno confuso o que uno muy limitado. Sin embargo, el tema no es fácil porque el solo hecho de presentar un proyecto de ley para el cambio o para la clarificación del mandato también tiene sus riesgos. Adicionalmente, hay que considerar que los bancos centrales con más objetivos tienen más dificultades en ser independientes.

Uno pensaría que hay que trabajar en el tema del funcionamiento de la red de seguridad financiera, lo cual tampoco es un tema fácil de manejar. Poner-

se de acuerdo con una superintendencia y con un Ministerio de Hacienda o Finanzas no es fácil, y los comités, con contadas excepciones, tienden a ser comités donde no se toman decisiones de fondo. Por ejemplo, en el caso de Suecia, donde se ha intentado potenciar la red de estabilidad financiera, tienen una permanente discusión sobre el marco institucional.

Un tema adicional tiene que ver con las políticas macro-prudenciales. El sentido común le dice a uno que el responsable de estas políticas debería ser el Banco Central, pero el tema se complica cuando llegamos al tema de los instrumentos.

Por último, ¿Es posible que en un esquema de inflación objetivo tenga como objetivo también estabilidad financiera? en eso soy práctico. Si bien es cierto que los países que tienen inflación objetivo pueden funcionar mirando fundamentalmente las proyecciones de inflación frente a la meta y las predicciones de crecimiento frente a un cálculo del potencial, en algunos momentos es probable que eso sea insuficiente. En Colombia, lo vimos en 2006 y 2007, donde existió un auge de crédito y de gasto. Cuando el Banco Central, que tenía una preocupación por el tema de estabilidad financiera debido al fuerte aumento en los precios de los activos y el crédito, actuó con algunos instrumentos adicionales complementarios al incremento en la tasa de interés. En particular, aumentó el encaje promedio e instauró un encaje marginal, creó la posición bruta de apalancamiento e impuso el control temporal de capitales. Asimismo, promovió el uso de provisiones contra-cíclicas, decisión tomada por la Superintendencia Financiera.

Así que yo creo que no es necesario pensar que un banco central que no tiene a cargo la tarea explícita de la supervisión y regulación financiera y sigue un esquema de inflación objetivo debe permanentemente actuar como si tuviera un objetivo de estabilidad financiera. Las autoridades monetarias, fiscales y de supervisión y regulación financiera deben tener siempre en la cabeza el tema de la estabilidad financiera; pero no lo veo como un propósito de manejo permanente de un banco central a través de una Regla de Taylor, en la cual incluya en ella alguna variable o elemento asociado al tema de estabilidad financiera. Por supuesto, el crecimiento muy fuerte en los precios de los activos y el crédito siempre deben generar alertas en los bancos centrales, y los que adoptaron un esquema de inflación objetivo no son la excepción.

¿Cuál considera que es el principal reto para los Bancos Centrales de la región para enfrentar el último choque de términos de intercambio y el cambio en las condiciones de financiamiento externo?

Antes de contestar la pregunta, voy a referirme a problemas que enfrentan los bancos centrales de América Latina y del mundo desarrollado, introducidos por Luis Jácome.

El primer problema tiene que ver con la incertidumbre con respecto a las variables no observadas como el producto potencial y la tasa de interés neutral. En la sesión del día de ayer en esta conferencia, algunos académicos opinaron que era un error que algunos bancos centrales estén subiendo la tasa de interés, pero esto es porque la información muchas veces no apunta en un solo sentido. Si bien la calidad de la información es mejor en países como Estados Unidos, permanecen las dificultades en esta materia. Por ejemplo, la abundancia de cifras sobre el mercado laboral norteamericano es impresionante, y no hay ningún país latinoamericano que se acerque si quiera a esa calidad y riqueza de información. Sin embargo, las correcciones que hay con respecto al producto en los Estados Unidos son enormes.

Un segundo problema que considero común para todos los bancos centrales, no solo a América Latina, es el desafío de mantener la autonomía. Realmente felicito a los bancos centrales de la región que lo lograron. Por ejemplo, la prensa especulaba que el Banco de la República de Colombia no iba a subir la tasa de interés ante de la primera vuelta de las elecciones presidenciales y la subió. Luego, antes de la segunda vuelta, la prensa volvió a decir que el Banco de la República no iba a subir la tasa de interés y de nuevo la subió.

Enfocándome en la pregunta específica de esta ronda del panel, más que enfocarnos en el choque de precios de *commodities*, debemos pensar en cómo

reaccionar y mantener la credibilidad ante un choque de oferta que eleva la inflación transitoriamente.

En algunos bancos centrales ha costado mucho mantener esa credibilidad ante estos choques. Sin embargo, algunos de los bancos centrales hemos podido afrontar este choque sin subir las tasas de interés. La idea es tratar de comunicar en lo posible que es un choque de oferta temporal. Si las expectativas de inflación se contaminan demasiado, por ejemplo, con los efectos de segunda vuelta, desgraciadamente en ocasiones hay que subir la tasa de interés.

El caso más claro es México. Este país tuvo la inflación más baja en los últimos 20 años el año pasado, por choques no relacionados con la economía mexicana como la conexión al gas de Texas y también la mayor competencia en el mercado telefónico; pero hemos visto que ha venido subiendo la tasa de interés continuamente, resultado de temores con respecto al *pass-through* de depreciación a la inflación.

El otro problema es que vamos a tener que lidiar con un crecimiento más bajo. Tratar de explicar que la política monetaria por sí sola no puede llevar a un crecimiento más alto es una tarea complicada. Aunque creo que parte de la sociedad lo comprende, las continuas discusiones e inconsistencias en los discursos de los Ministros de Hacienda y los presidentes de los Banco Centrales de la región generan confusión y ruido. Esto es algo que debe tratar de combatirse con ayuda de la prensa y la opinión pública, para que se entienda que la política monetaria por sí sola no puede elevar el crecimiento permanentemente. A menos que la inflación esté muy baja, es mejor que la política monetaria vaya acompañada de políticas fiscales si hay espacio y reformas estructurales.

Los últimos datos de la economía de Estados Unidos vienen marcando una continuidad de la recuperación, esto sin duda viene acompañado de la continuidad en los incrementos de la tasa de interés por parte de la Reserva Federal. Sin embargo, la región está experimentando una reducción de las presiones inflacionarias, lo que facilita una reducción de las tasas de política monetaria. ¿Qué tan factible ve usted hacer el relajamiento de la política monetaria a nivel doméstico bajo este contexto internacional?

Creo que el anuncio del *Tapering* tomó por sorpresa a los mercados, y los agentes que estaban muy apalancados invirtiendo en mercados emergentes comenzaron a desapalancarse de manera muy brusca. En ese momento, el caso del Perú, se tenían 60% de los bonos del tesoro en moneda nacional en manos de extranjeros, más de 10% del producto en derivados apostando a apreciación. En años anteriores, los corporativos habían emitido bonos en Nueva York por

casi 10% del producto. Nosotros llevamos depreciando cerca del 40%, y a diferencia de países como Colombia, en Perú los agentes se pueden pasar en diez segundos de soles a dólares.

Después del *Tapering* vino un periodo de calma en parte de los mercados, interrumpido por la caída de los precios del petróleo en el segundo semestre del 2014. Posteriormente, aparecieron los temores sobre la economía de china que se disiparon hacia febrero de 2016.

No creo que ese conjunto de eventos se vaya a repetir.

Creo realmente que un escenario de normalización, como mencionó José Darío Uribe, va a resultar en una tasa de interés más baja al final y va a tener pocas consecuencias; pero quien sabe, puede traer sorpresas. Hemos visto nuevamente un ingreso fuerte de capital hacia emergentes que todavía no se revierte. Bajo este escenario de subidas en la tasa de interés de la FED, buena parte los países de América Latina han venido bajando tasas de interés, como es el caso de Colombia Chile y Perú.

En síntesis, yo creo que lo sucedido en 2013 no fue solo efecto del *Tapering*, fue un evento que nos tomó por sorpresa y que estuvo acompañado por otras cosas. Espero que eso no suceda nuevamente y ojalá los mercados hayan aprendido. Esperemos que las pérdidas que tuvieron por estar sobre apalancados, en mayo 2013, los obliguen a ser prudentes por 3 o 4 años más.

La estabilidad financiera puede pensarse de dos formas en la región: i) El modelo del pacífico, donde la estabilidad tiene una institución descentralizada y ii) El modelo atlántico donde la estabilidad está centralizada en el Banco Central. Bajo este contexto, ¿Deben los bancos centrales tener un mandato claro referente al objetivo de estabilidad financiera? y ¿Debería incluirse la estabilidad financiera dentro del marco de política de inflación objetivo?

Haré unos breves comentarios al respecto. La ventaja de los comités de estabilidad financiera es que fluye la información porque, a pesar de no estar institucionalizados, en la mayor parte de los países funcionan más o menos bien. Sin embargo, muchas veces el problema es la toma de decisiones.

El Gobierno que ya lleva un año en el Perú quería reforzar las funciones del Banco Central e introducirle temas macro-prudenciales, incluso se habló de la supervisión bancaria; pero yo lo veo difícil por factores históricos. Incluso, si se lograra, considero que lo mejor es separar las decisiones. Que fluya la información, pero no contaminar las decisiones de política monetaria con una preocupación bancaria.

Con respecto a la supervisión bancaria, he tenido la oportunidad de dialogar con la Superintendencia y su mayor preocupación se centra en la parte micro. Si la solvencia bancaria está asegurada no importa que el crecimiento sea algo menor. Lo digo por un problema frecuente en América Latina que es la dolarización de créditos. Mientras las pruebas de estrés de la Superintendencia no señalan que algún banco vaya a quebrar, no les importa que el crecimiento vaya a ser menor si hay una depreciación fuerte. A diferencia de un Banco Central que si le interesa el impacto que un episodio así podría tener sobre el crecimiento.

En el caso del Perú, hemos tomado algunas medidas desde el Banco Central, utilizando instrumentos que no fueron diseñados para eso. Pongamos por ejemplo, requerimientos de reservas adicionales. No obstante, somos conscientes que lo más eficiente sería utilizar los instrumentos de la Superintendencia como las provisiones, pero muchas veces la falta de preocupación por el escenario macro impide utilizar las herramientas más eficientes.

Coincido con Jose Darío Uribe, es difícil pensar en un comité de estabilidad financiera que funcione del todo bien.



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