

Currency, Credit and Crisis

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November 2019

Plan of talk

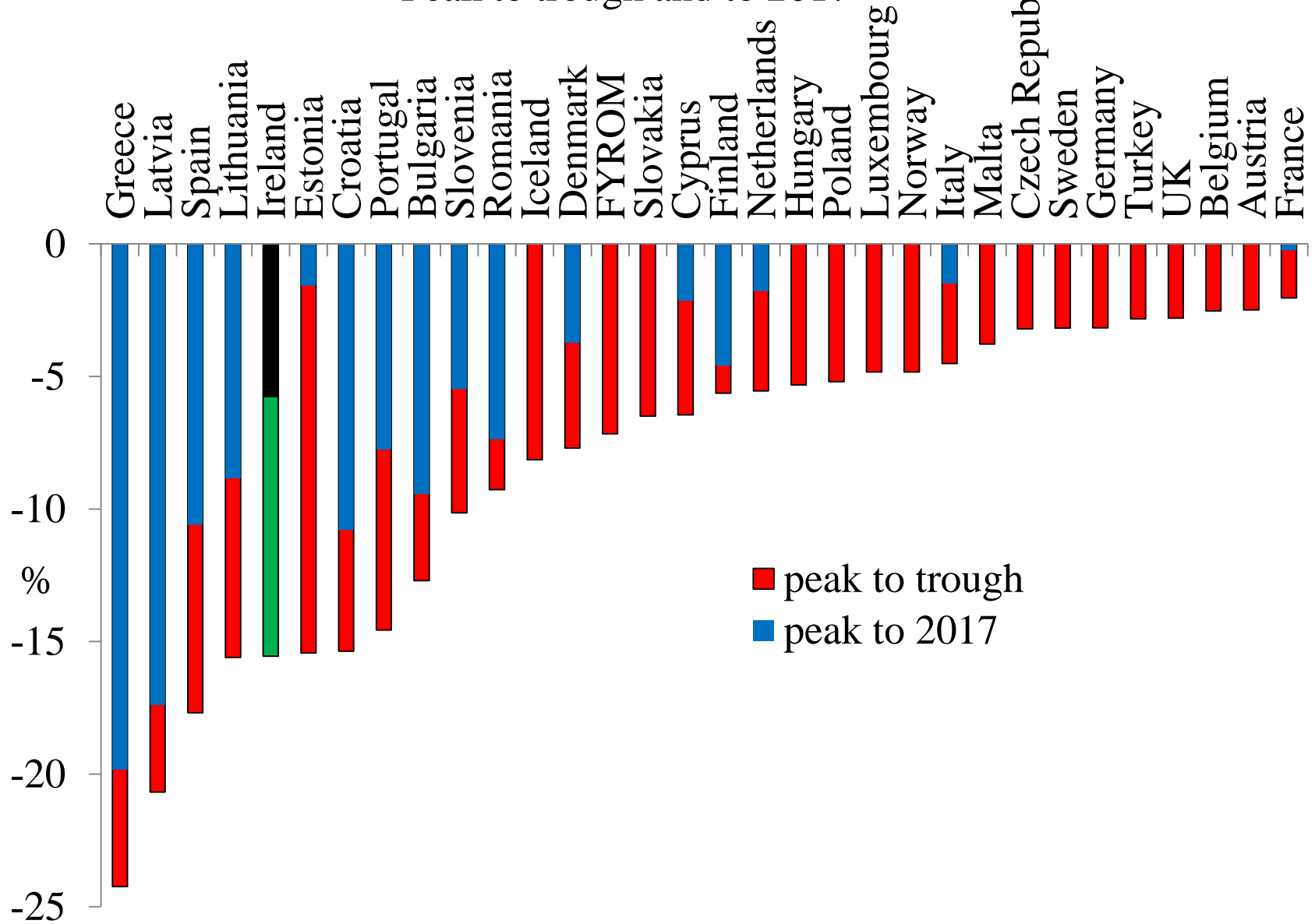
- The role of the ECB in managing the euro area crisis
- What the Irish case tells us about crisis management
- The modern central bank: aloof or intrusive?

The role of the ECB in managing the euro area crisis

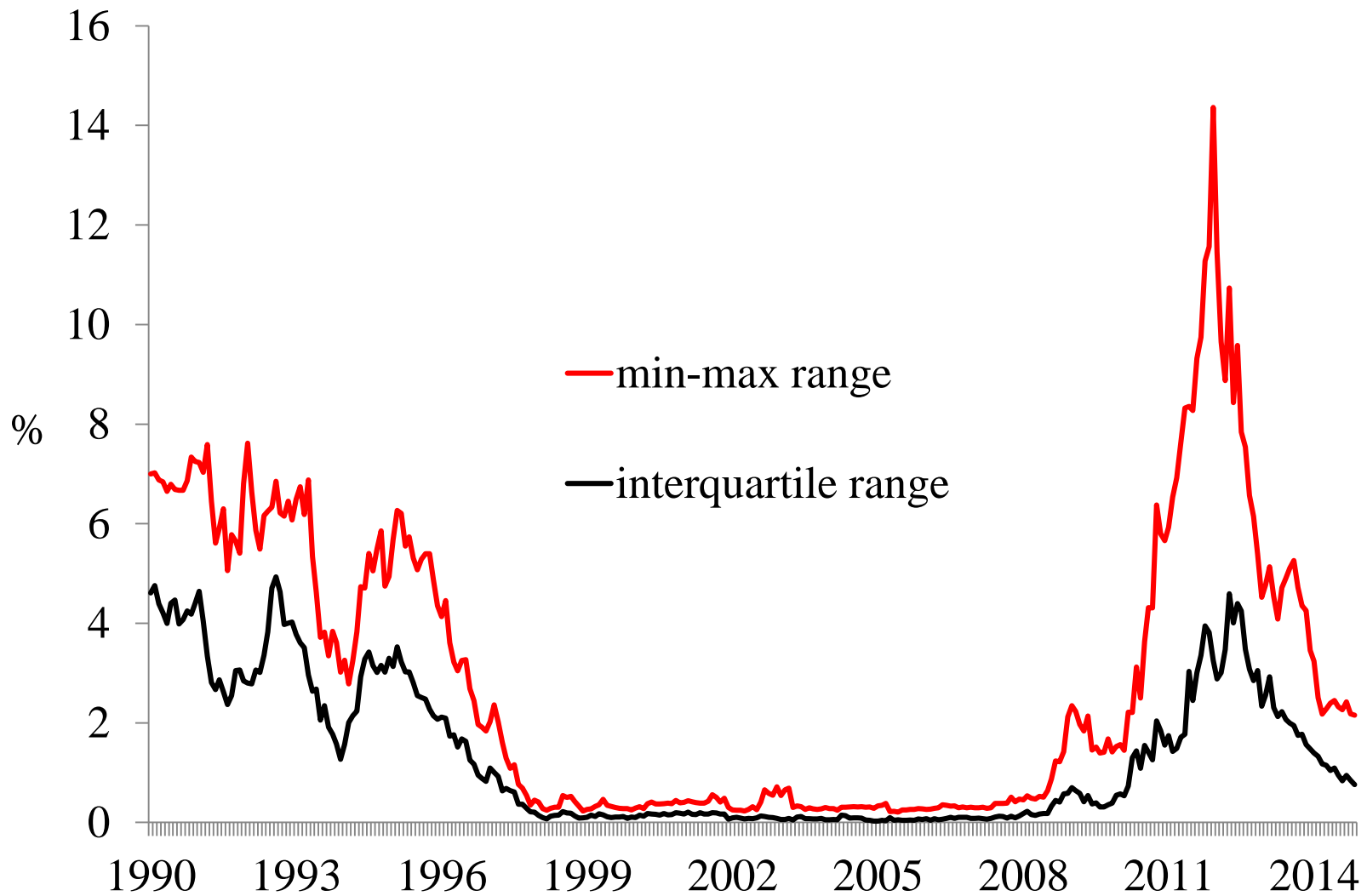
- Missed opportunities?
- Buridan's donkey: choosing between tough and lax on sovereign borrowing
- The “separation principle”: a flawed analytical tool

Employment % change, European countries

Peak to trough and to 2017



Range of 10 year government bond yields in euro area countries 1990-2014



Question for Poll

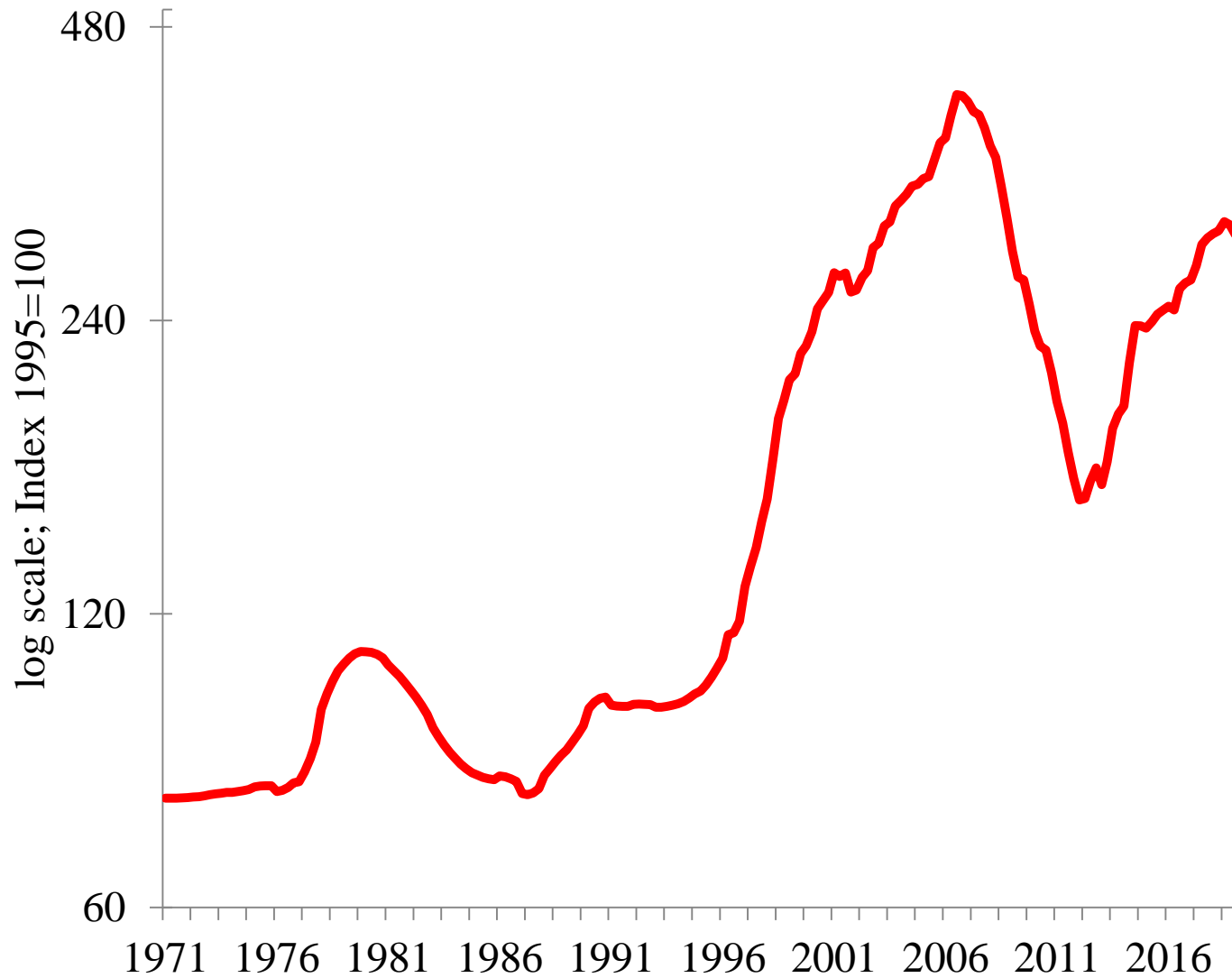
Should the ECB and the other European Institutions have adopted:

- (a) A systematically tough line (bail-in)
- (b) A soft or liberal approach (bail-out)
- (c) Something in the middle
- (d) Don't know

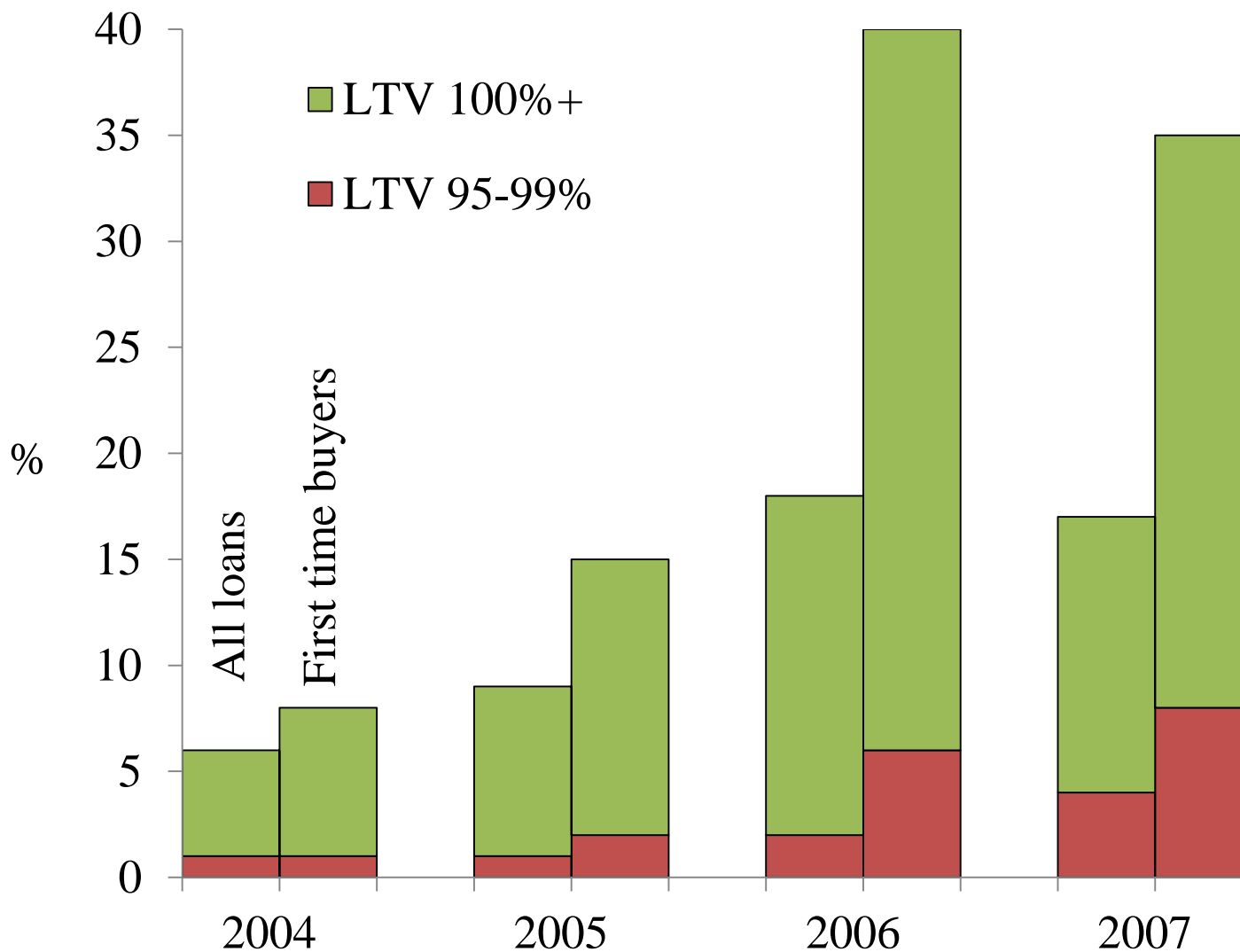
Irish case: lessons for crisis management

- Resolution policy: bail-in or bail-out?
 - Ireland vs Iceland cases
 - Role of central bank finance
- What makes for a successful recovery?
 - Motivation of the politicians
 - Understanding of the globally-aware public
 - Accurate programme design

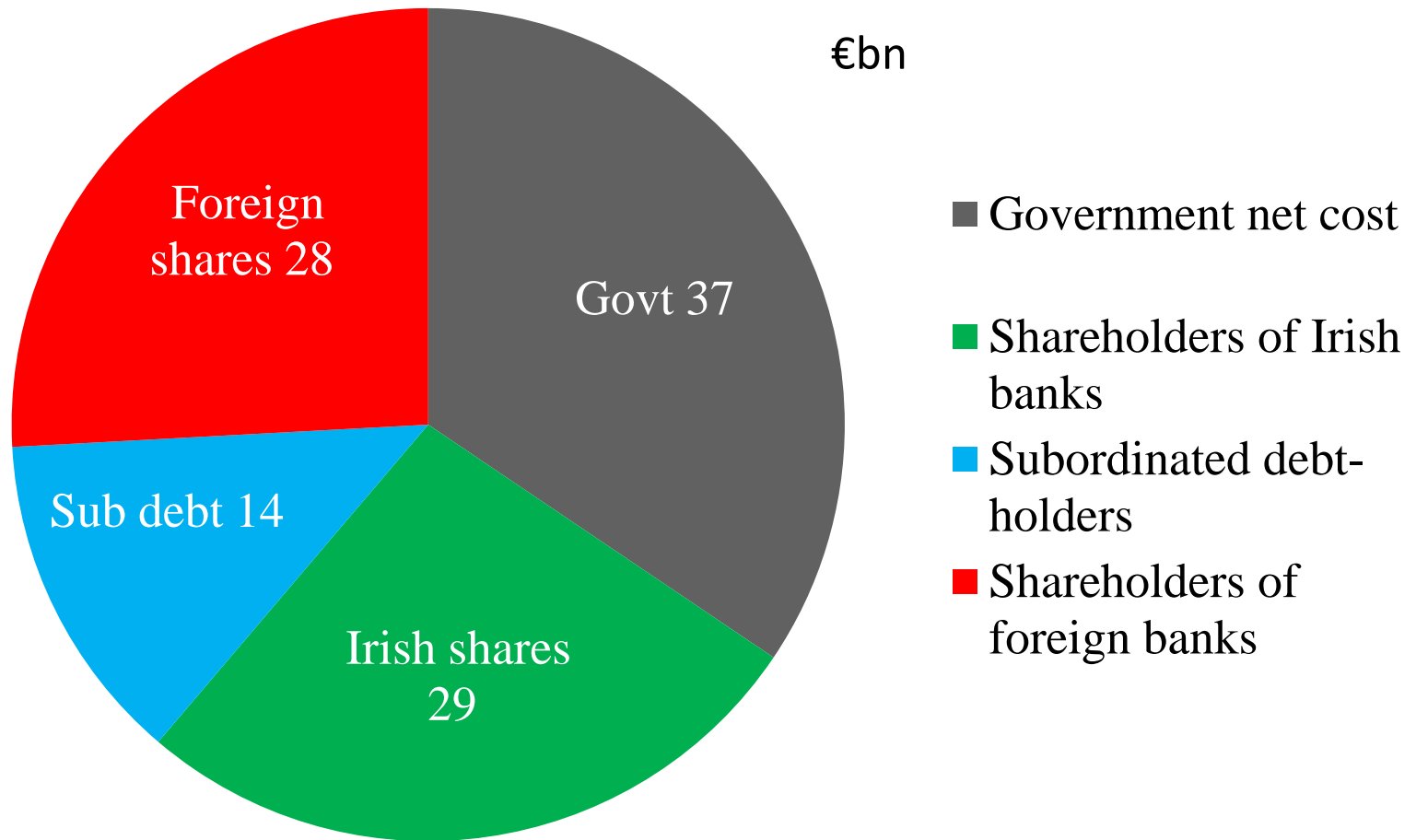
Dublin real house prices 1971-2019



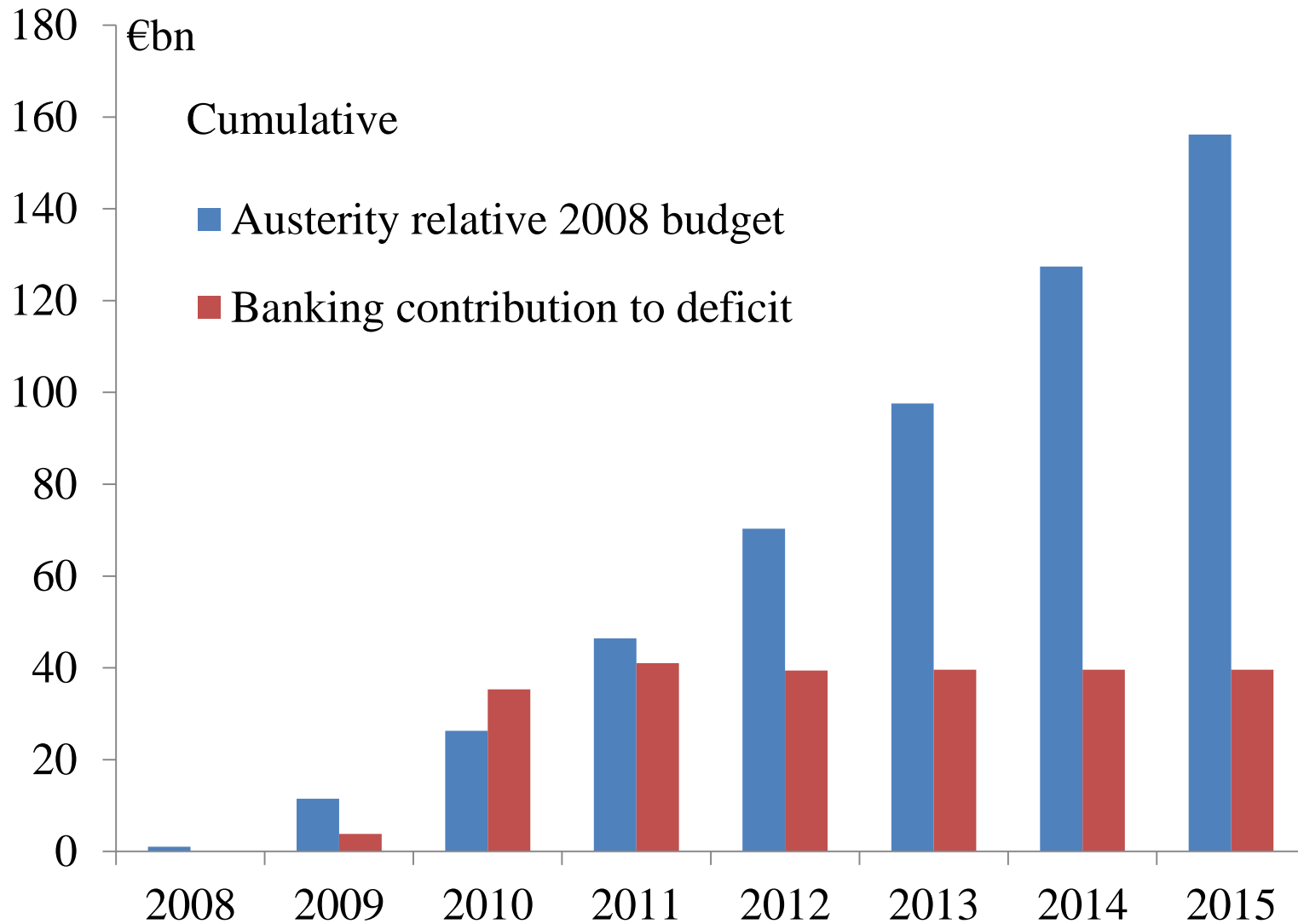
Share of loans made at high loan-to-value ratios 2004-8



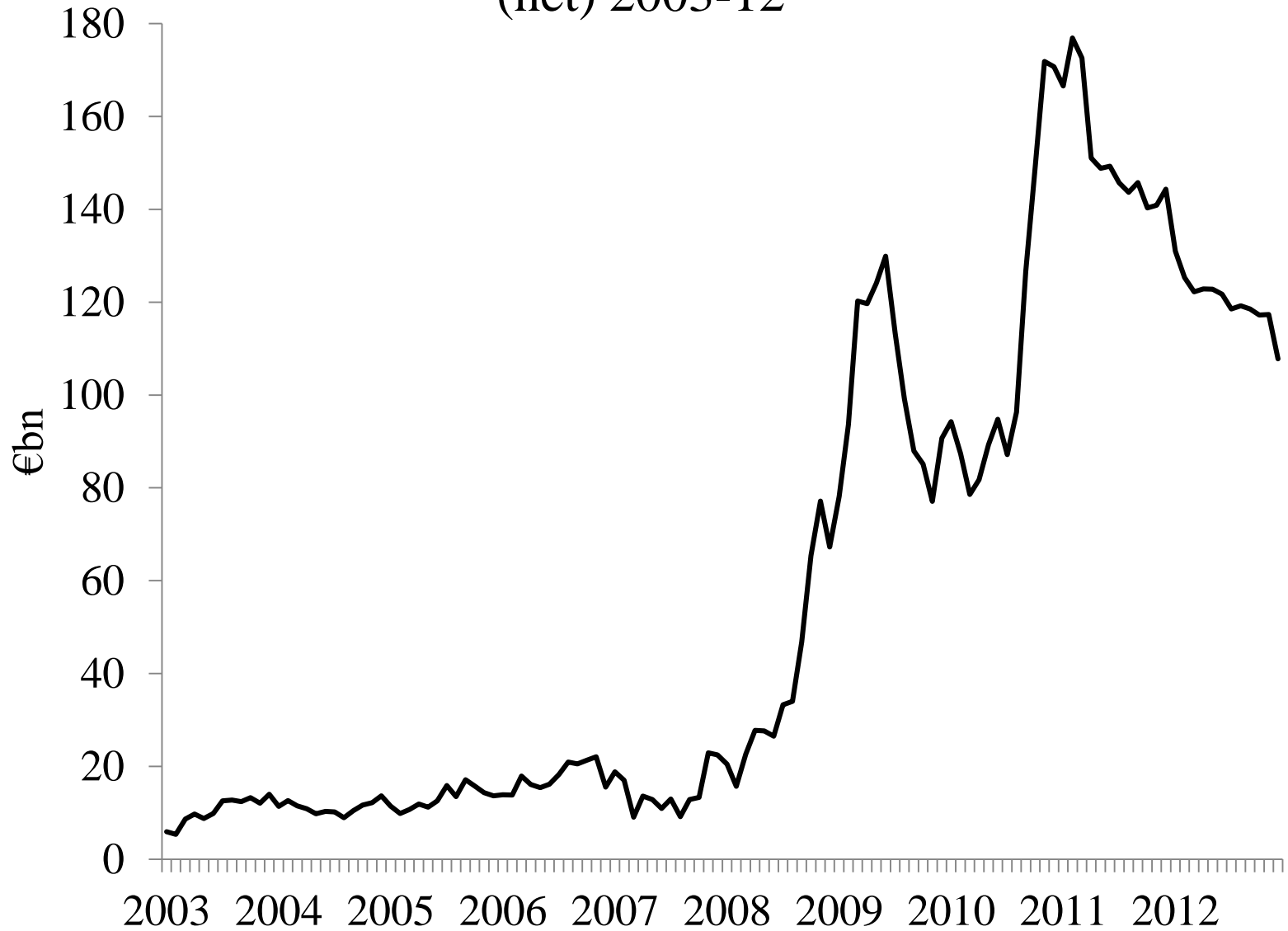
Who paid? Allocation of net banking losses



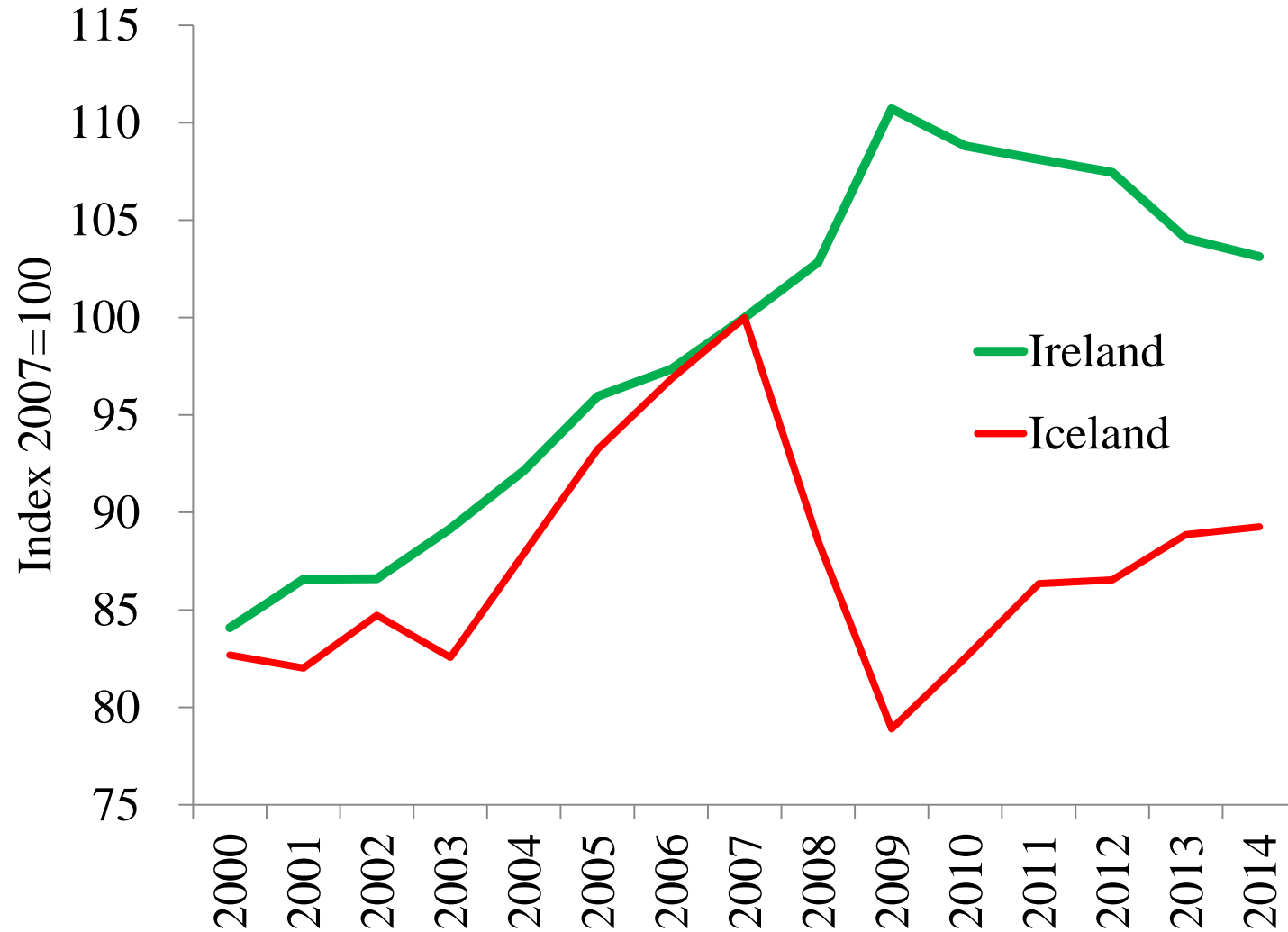
Contribution of banking losses to austerity



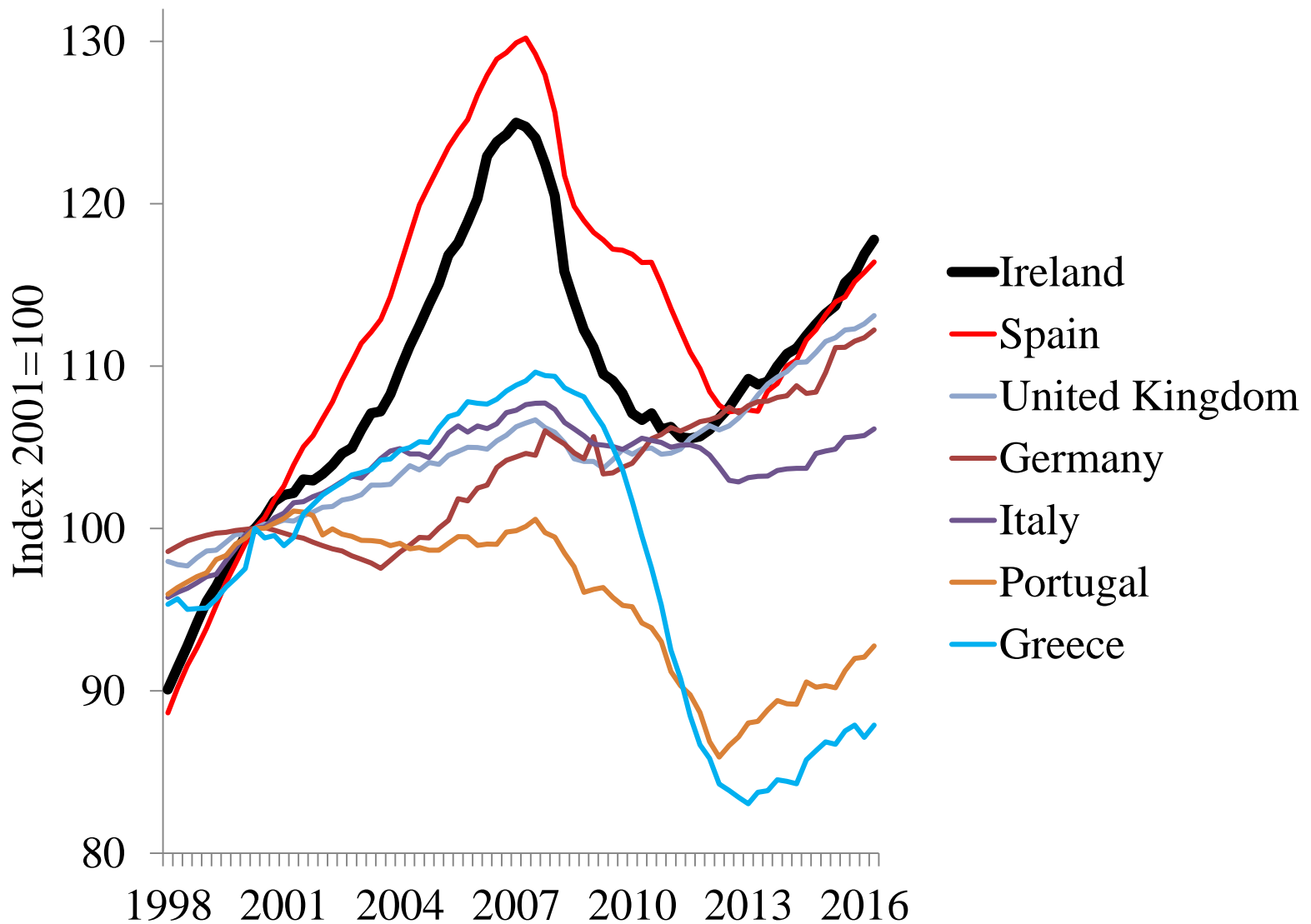
Central bank financing of Irish banking system (net) 2003-12



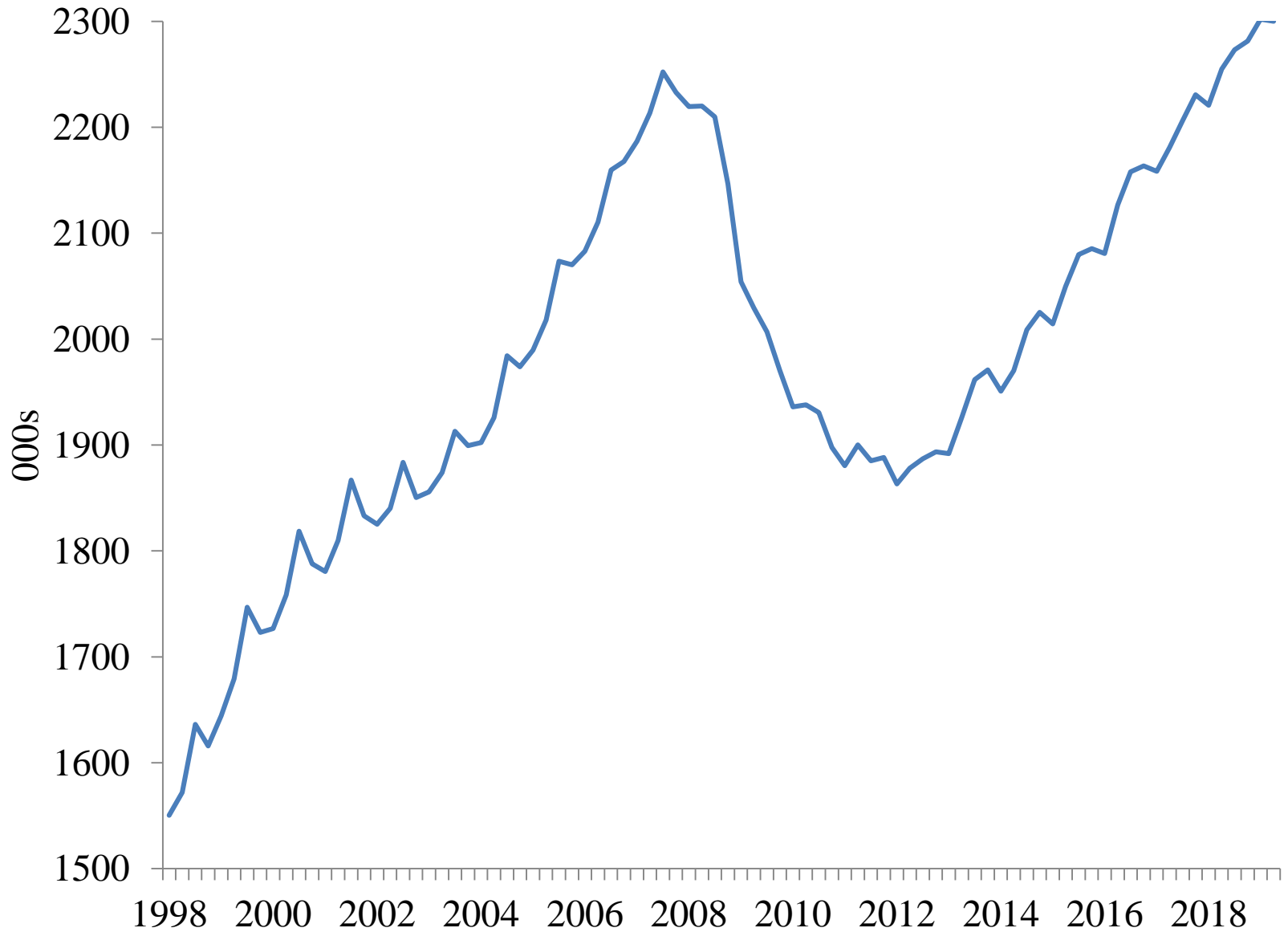
Real wages: Ireland and Iceland



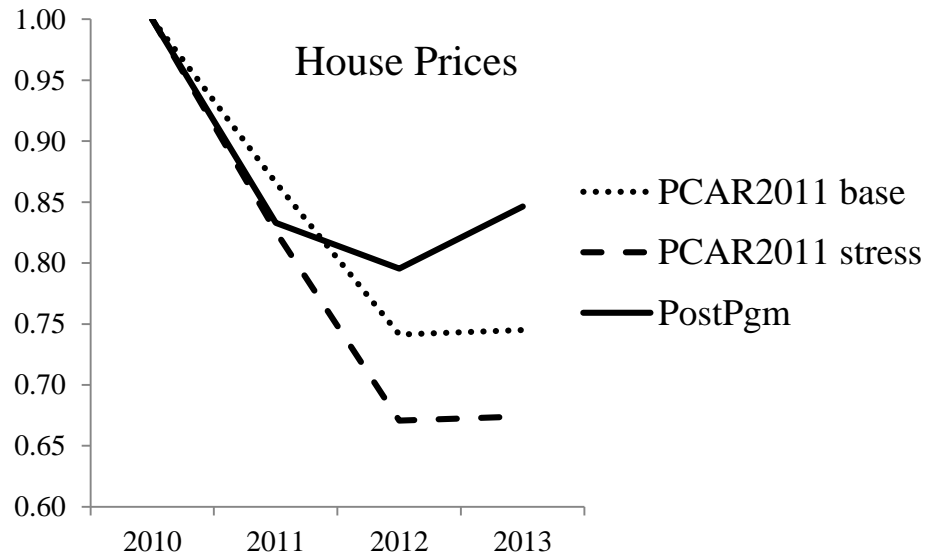
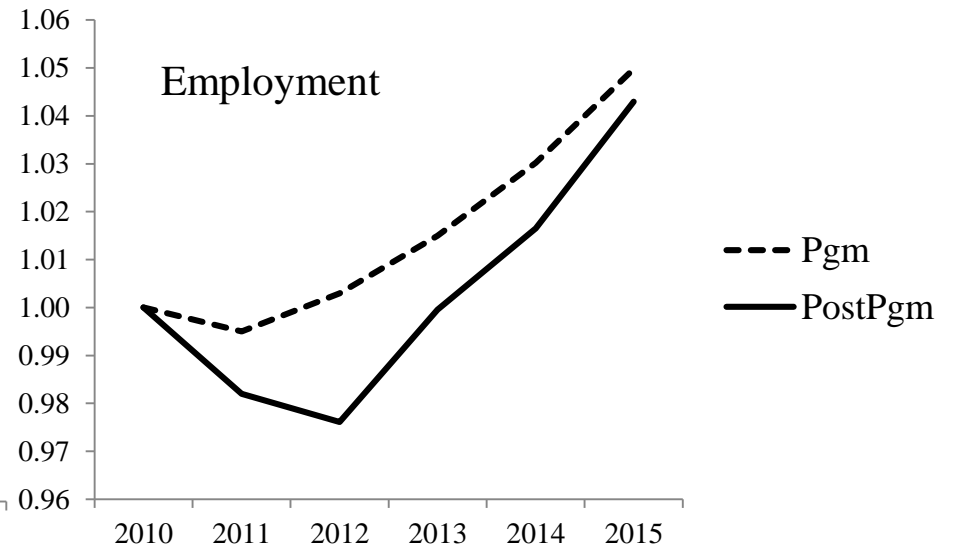
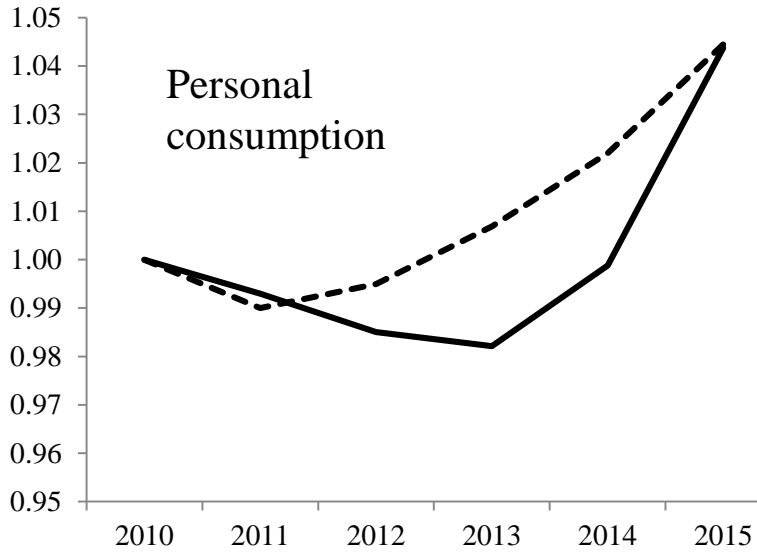
Employment in selected European countries 1998-2016



Ireland: Total numbers at work 1998-2019



Programme projections and outcome



Question for Poll

Which did better in the crisis?

(a) Ireland

(b) Iceland

(c) Iceland and Ireland about equal

(d) Don't know

The modern central bank: aloof or intrusive?

- “The classical central bank”
 - Issues around negative interest rates and QE
- “The state’s chief bank”
 - National central banks in the eurozone
- “The assertive central bank”
 - Conduct
 - Macroprudential measures
- “The expansive central bank”
 - Relevance of inequality and climate change?

CURRENCY, CREDIT AND CRISIS

Central Banking in Ireland and Europe



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