Monetary policy in an heterogeneous currency area

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Chart 1: blue and red countries 1970-2005

Source: Giannone, Lenza and Reichlin, 2010
Chart 2: Nominal and real asymmetries

\[ E(\Delta y_t^i - \Delta y_t^{ea})^2, \quad i = DE, FR, IT, SP, \ldots \]

Real Asymmetries

Nominal Asymmetries
Chart 3: the tale of two crises

Figure 1: Italy-Germany long term sovereign interest rates spread and term spread defined as 10 years - 3 months.

Source: Caruso, Reichlin and Ricco, 2018
Chart 4: The tale of two crises

GDP growth shares
2007-2010: liquidity crisis and response
The ECB as intermediary of last resort in the inter-bank market

Chart 3

[Diagram showing the interbank money market with banks connected and labeled as Bank 1, Bank 2, Bank 3, Bank 4, Bank n-1, and Bank n. Connections between banks are indicated with arrows labeled with 'c'. The diagram includes a saver and a borrower node.]
2007-2010: liquidity crisis and response
The ECB as intermediary of last resort in the inter-bank market
Private market replaced by central bank intermediation

Source: Daně and Pili (2012)
Samson, and the origins of central bank power

*Who carries the weight?*