Discussion of “Quantitative Easing in Joseph’s Egypt with Keynesian Producers”

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Praise for the paper
1 Praise for the paper
2 What this paper does
Outline

1. Praise for the paper
2. What this paper does
3. Things I disagree with
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2. What this paper does
3. Things I disagree with
4. Why isn’t the world following the model?
Very well thought, well executed and well presented
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- Storage puts a lower bound on real rates
- “Real” policy can help alleviate that problem
The idea

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- If there is storage the world is different.

Buying private assets or running a current account surplus today implements this policy.

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Has one policy maker “Joseph” doing two kinds of policy

- Following an interest rate rule, subject to ZLB
- Doing QE/JQE
The usual taxonomy of policies have the “monetary policy” and “fiscal policy” groups. 

What are the policies in this paper?

First policy:

\[ i_t = \max\{0, \pi^* \beta^{-1} \frac{\tilde{C}_{t+1}}{\tilde{C}_t} \left( \frac{\pi_t}{\pi^*} \right)^\phi - 1 \} \]

Second policy:

\[ Q_{t+1} = (1 - \delta) \left( \left( \frac{B_{t+1}}{1 + i_t} - B_t \right) / P_t - Q_t \right) \]
Josephean Quantitative Easing...

...is fiscal policy.

- Doing fiscal policy via the central bank does not make it monetary policy.
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Facilitates fiscal policy maker moral hazard by moving the loss to the central bank from the fiscal authority, where it belongs.

This is a great paper, making an important point but addressing the wrong policy maker.
Why isn’t the world following the model?

- Paper argues that proper policy can prevent liquidity traps even with storage
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- We still observe liquidity traps
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- Why?
Why is Japan still in a liquidity trap?

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  - What would happen in a world where there are nonstorable services?
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- Or JQE may not be sufficient to lift an economy out of a liquidity trap
  - Perhaps loss from storage is too large and not enough utility is promised in the future
  - What would happen in a world where there are nonstorable services?
  - Perhaps we would need too large accumulation of the storable good.
Conclusion

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- Very policy relevant

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Discussion of Campbell

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