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

Refet S. Gürkaynak
Bilkent University and CEPR

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Outline

1. Praise for the paper

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2. What this paper does

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3. Things I disagree with

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3. Things I disagree with
4. Why isn't the world following the model?

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- “Real” policy can help alleviate that problem

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- In that case a deficit financed increase in public storage increases expected consumption tomorrow and hence stimulates consumption today.
- Buying private assets or running a current account surplus today implements this policy.
- The international story is especially nice

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    - Following an interest rate rule, subject to ZLB
    - Doing QE/JQE

Policies

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:

$$Q_{t+1} = (1-\delta)\left(\left(\frac{B_{t+1}}{1+i_t} - B_t\right)/P_t - Q_t\right)$$

...is fiscal policy.

- Doing fiscal policy via the central bank does not make it monetary policy.

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- This is a great paper, making an important point but addressing the wrong policy maker.

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- Why?

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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.

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- Worth thinking about why there are liquidity traps in the world