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FORTIN, WATSON ET AL.

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Pierre Fortin

« …restera le même que par le passé. Il consiste, premièrement, à gérer la quantité de monnaie et de crédit en circulation et, par là, les taux d'intérêt. Parce que les taux d'intérêt ont une grande influence sur l'activité économique, l'emploi et les prix à court et à moyen terme, les banques centrales assument un rôle fondamental de régulatrices de l'économie dans un horizon de trois à cinq ans. Elles ont habituellement le mandat de stabiliser le taux d'inflation à un niveau acceptable (comme, par exemple, 2 pour cent ou 3 pour cent par année), tout en maintenant le taux de chômage au niveau le plus bas possible.

Les banques centrales continueront à assumer un second rôle, celui de promouvoir la stabilité de l'ensemble du système financier. Elles exercent dans ce cas une fonction de surveillance des banques et des autres institutions financières et agissent comme prêteuses de dernier ressort auprès de celles qui sont à court de liquidités. La crise financière de 2008 a évidemment mis en relief la très grande importance de ce rôle de surveillance de l'intégrité du système financier, et les banques centrales l'ont généralement rempli avec succès ».

» Pierre Fortin est professeur émérite de sciences économiques à l'Université du Québec à Montréal, membre de la Société royale du Canada, administrateur de l'Institut canadien de recherches avancées et chroniqueur économique attitré du magazine L'actualité.

Fred Lazar:
"…will continue to be controlling the rate of inflation, and acting as the lender of last resort; and monitoring the risk profiles of the asset portfolios of the major banks. Central banks have demonstrated that they can be quite effective in tackling and lowering inflation rates. Pushing interest rates high enough will eliminate inflationary demand pressures.

The recent financial crisis also showed that the central banks acting alone, but more importantly, acting in concert with one another, are able to unclog capital markets and get them to function – adding trillions of dollars of liquidity into the financial system, and guaranteeing trillions of dollars in debt.

The central banks have not, however, been as effective in monitoring the risks assumed by the major banks. This is the one area where they will have to improve their performance dramatically.

While few central banks have a goal of tackling high rates of unemployment, their experiences during the recent global recession indicate that they likely would not be too successful in this regard. Interest rates close to zero have not been able to accelerate the economic recovery. Monetary policy is much better at pulling on a string (reducing aggregate demand) than pushing on a string (stimulating demand)."

» Fred Lazar is Associate Professor of Economics at the Schulich School of Business, York University (Toronto). He is a featured GB Geo-Blogger at www.globalbrief.ca.

William Watson
"…is going to be pretty much the same as that of the last two decades – namely, making sure that inflation stays low and steady. Lots of people are arguing that central banks should now take on the additional job of treating bubbles the way that an adolescent treats pimples – bursting them whenever and wherever they appear. I do not think that this is going to happen, mainly because it is hard to know until after the fact when a bubble actually was a bubble, and when, on the other hand, there was a perfectly justifiable increase in prices.

I do expect that central bank announcements will pay more attention to the overall rate of expansion of credit, and that they will nag more – or, in the jargon, 'exercise greater moral suasion' – about rapid run-ups in the prices of particular assets."

» William Watson teaches economics at McGill University and writes regular columns for the National Post *and* the Ottawa Citizen.

Brett House
"…will unfold in two parts.

The first piece will see central banks attempt a finely calibrated unwinding of the injections of easy money and the massive positions in toxic assets taken on in response to the crisis. It will be about ending – for a time, but not too soon, and not too late – the Central Bank's recent role as 'buyer of last resort.' Getting the timing and speed of this exit right will be a key aim of nearly every central banker in the year or two ahead. None of them wants to repeat 1937, and none of them wants to leave the punch bowl too long at the table.

The second phase will see central banks working doggedly to get as good at preventing crises as they are at mopping up after them. Central bankers will be looking for an alchemical mix of regulation, new metrics for price inflation that follow a broader set of assets, and enhanced early-warning systems that will enable them to pre-empt destabilizing imbalances before they happen."

» Brett House is Senior Macroeconomist at The Earth Institute at Columbia University.

Vladimir Popov
"… is to eventually secure the non-existence of central banks.

I often ask my economics students why Captain Jean-Luc Picard of *Star Trek* does not carry credit cards – even when he is holidaying on Earth. They usually agree that, in the 24th century [when GB's tagline will doubtless be 'World Affairs in the 24th Century'], there will be no credit cards, money, investment consultants or banks, and that people will be doing things more in line with the predestination of human beings – to wit, creating masterpieces of art and science, discovering new worlds and boldly going where no one will have gone before.

More immediately, however, central banks face a number of challenges. One is to strengthen the regulation of domestic financial institutions to prevent them from creating bubbles and volatility. Stock markets and derivative markets contribute much to the volatility: they tend to generate bubbles by themselves without any roots in fundamentals or the real economy; that is, many of these risky operations actually do more harm than good, and should be prohibited altogether (or at least heavily taxed). The other is to limit international short-term capital flows.

There is no evidence that free movement of short-term capital promotes economic growth, and today's consensus – if it at all exists – leans toward the understanding that costs associated with free, short-term capital flows (volatility) are too high, while the benefits (better allocation of resources) are not obvious.
The 1944 Bretton Woods conference was originally called the UN Monetary and Financial Conference because the UN did not exist at that time. Today, there are calls for a second UN Monetary and Financial Conference that could lay the foundations of a stable global financial system for the 21st century."

» Vladimir Popov is Professor of Economics at the New Economic School in Moscow. He has published extensively on post-communist economic transformation and on world economic development. He is the author and editor of 11 books and numerous articles and essays in world media.