研究报告

Research Report

May 8th, 2020

On Coordination between Monetary and Macroprudential Policies

Center for Finance and Development

MA Jun HE Xiaobei[2]

Abstract In this paper, we discuss the interaction between monetary policy and macroprudential policy from both theoretical and practical perspectives based on a literature review, identify the problems and challenges facing the current "twin-pillar" regulatory framework in China and propose a number of reform measures. While monetary policies affect financial stability through the risk-taking channel, macroprudential policies affect price stability and output. Recent studies suggest that, depending on the types of shocks and parameter calibrations, monetary policy instruments and macroprudential instruments are either substitutes for each other, or complementary to each other.

It has been shown in the literature that under conventional parameter calibrations, the optimal policy mix in response to a positive cost-push shock could involve interest rate hikes and relaxation of the countercyclical buffer

[2] Dr. Ma Jun, Center for Finance and Development ,National Institute of Financial Research, Tsinghua University. Dr. He Xiaobei, Center for Finance and Development, National Institute for Financial Research. This article was published in *Journal of Financial Research*, 2019,474 (12): 58-69

requirement. That is, monetary policy and macroprudential policy instruments are substitutes in this scenario. On the other hand, the optimal policy mix in response to a positive credit demand shock could involve rate hikes and tightening of the countercyclical buffer requirement. That is, the two policy instruments are complements in this second scenario. In addition, model parameters pertaining to country-specific factors, such as economic and financial market structures, also play an important role in shaping the optimal policy mixes. Therefore, it is essential for policymakers to fully consider the types of shocks as well as country-specific conditions in their analytical framework and policy decisions of optimal monetary and macro-prudential policy mix.

Given the subtle interplay of the two policies, an effective coordination framework is key to achieve both macroeconomic stability and financial stability. In practice, the effectiveness of the coordination mechanism depends on the governance structure (especially the communications between monetary and macroprudential policy makers) and policy makers' ability to understand the spill-over effects of monetary policy and macroprudential policy.

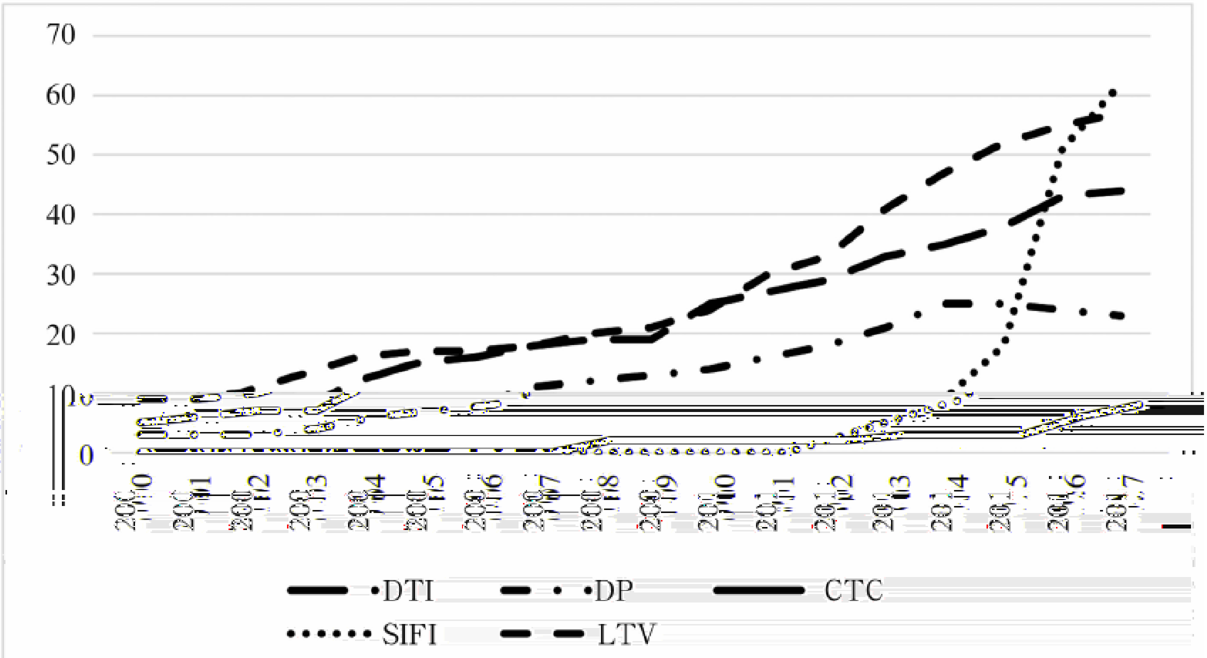
While the PBC has set up the broad governance structure of the "twin-pillar" policy framework (involving a few departments covering monetary policy and macro-prudential issues), a number of challenges are still lying ahead. First, financial stability is not yet formally listed as one of the specific mandates of the PBC in the Central Bank Law. This lack of clarity in legal mandate is partially responsible for the limited allocation of resources to macro-prudential issues especially the analysis of impact of monetary policy on financial stability. Second, although labeled as an instrument for "macroprudential" purposes, the Macroprudential Assessment (MPA) system of the PBC is, in practice, mainly intended to facilitate the implementation of monetary and credit policies. Third, the lack of coordination mechanism between the MPA and the macro-prudential and micro-prudential instruments of the CBIRC leads to the regulatory overlap and duplication. Forth, the macro-prudential authorities lack the appropriate analytical tools for assessing policy spill-over effects and developing optimal policy mixes.

Based on our analysis of the problems facing China and international experiences, we propose the following reform measures. First, adding "financial stability" to the mandate list for the PBC by amending the Central Bank Law. Second, developing methodologies and analytical tools for assessing policy spillover effects and selecting optimal policy mixes of monetary and macroprudential policies. Capacity building an international collaboration is essential to achieve these goals. Third, transferring several macroprudential decision-making roles from CBIRC to the PBC. Fourth, establishing a process and mechanism for coordinating monetary policy. The Macroprudential Bureau should be able to conduct quantitative assessment of the effects of monetary policy changes on financial stability, while the Monetary Policy Department should be able to conduct quantitative assessment of the macroeconomic effects of macroprudential policy adjustments. If the potential impact of these spill-over effects is estimated to be significant, the Financial Stability and Development Committee of the State Council should make a judgement on how to construct the policy mix.

Monetary Policy, Macroprudential Policy, Policy Coordination

?

1



Cerutti et al. (2017)

Jackson Hole

Collard et al 2017

Borio, 2014

“ ” ɛ ʒ ꜰ

Stein 2013

“

“ ”

（ ）

(Maddaloni et al., 2011, 2013, Dell Ariccia et al., 2017, Altunbas et al., 2010)

“ ”

Cecchettiand Kohler (2014)

Aikman et al. (2018)

[redacted]

Aikman et al. (2018) [redacted]

	[redacted]
	[redacted]
	[redacted]
	[redacted]
	[redacted]
	[redacted]
	[redacted]
	[redacted]

–

Van der

Ghote

Cecchetti and Kohler

Svensson

( )

“ ”

“ ”

FLAME MFRAF

STAMP

（　　）

（ ）

（ ）

“ ”

“ ”

“ ”

[1] Aikman, David, Julia Giese, Sujit Kapadia and Michael McLeay, "Targeting Financial Stability: Macroprudential or Monetary Policy?" Bank of England Working Paper No. 734. June 2018.

[2] Ajello, Andrea, Thomas Laubach, David Lopez-Salido and Taisuke Nakata. "Financial Stability and Optimal Interest-Rate Policy", Federal Reserve Board, Washington, D.C., 2016

[3] Altunbas, E., L. Gambacorta and David Marques-Ibanez, 2010. "Does monetary policy affect bank risk-taking?," BIS Working Papers 298, Bank for International Settlements.

[4] Aydinbas, C. Yasin, Craig Hardt, Jahangir Rzayev, Murat Soker , and Ted Taylor , Dinah Walker and Pei Zhao. "Frameworks for Implementing Macroprudential Policy A Comparative Examination of the BoE and FSOC", School of International and Public Affairs, Columbia University in the City of New York, April 2015

[5] Borio, Claudio. "Macroprudential frameworks: (too) great expectations?", BIS speech, the 25th anniversary edition of Central Banking Journal, 5 August 2014.

[6] Cerutti, Eugenio ,Claessens, Stijn and Laeven, Luc, 2017. The use and effectiveness of macroprudential policies: New evidence," Journal of Financial Stability, Elsevier, vol. 28(C), pages 203-224.

[7] Collard, Fabrice, Harris Dellas, Behzad Diba, and Olivier Loisel. 2017. "Optimal Monetary and Prudential Policies." American Economic Journal: Macroeconomics, 9 (1): 40-87.

[8] Dell'Ariccia, G., Luc Laeven and Gustavo A. Suarez, 2017. "Bank Leverage and Monetary Policy's Risk-Taking Channel: Evidence from the United States," Journal of Finance, American Finance Association, vol. 72(2), pages 613-654, April.

[9] Edge, Rochelle and Nellie Liang. "New Financial Stability Governance and Central Banks", Reserve Bank of Australia, Conference Volume, 2017.

[10] Fischer, Stanley., 2015. Macroprudential Policy in the U.S. Economy, speech at 59th Economic Conference of the Federal Reserve Bank of Boston, Boston, Massachusetts.

[11] Van der Ghote, Alejandro., 2018, “Coordinating Monetary and Financial Regulatory Policies”, presentation delivered at the 3rd Annual ECB Macroprudential Policy and Research Conference, May 2018

[12] IMF, 2016, “Key aspects of macroprudential policy”,

[13] Kohn, Donald., 2015, “Implementing Macroprudential and Monetary Policies: The Case for Two Committees”, presentation delivered at FRB Conference.

[14] Maddaloni, A. and Jose-Luis Peydro, 2011. "Bank Risk-taking, Securitization, Supervision, and Low Interest Rates: Evidence from the Euro-area and the U.S. Lending Standards," Review of Financial Studies, Society for Financial Studies, vol. 24(6), pages 2121-2165.

[15] Maddalonia, A. and Jose-Luis Peydro, 2013. "Monetary Policy, macroprudential Policy, and Banking Stability: Evidence from the Euro Area," International Journal of Central Banking, International Journal of Central Banking, vol. 9(1), pages 121-169, March.

[16] Smets, Frank. “Financial Stability and Monetary Policy: How Closely Interlinked?”, European Central Bank.

[17] Stein, Jeremy C. ,2013, ‘Overheating in Credit Markets: Origins, Measurement, and Policy Responses’, speech delivered at “Restoring Household Financial Stability after the Great Recession: Why Household Balance Sheets Matter,” a symposium sponsored by the Federal Reserve Bank of St. Louis.

[18] Svensson, Lars. E. O., 2018. “Monetary policy and macroprudential policy: Different and separate?”. Canadian Journal of Economics/Revue canadienne d'économique, 51: 802-827.