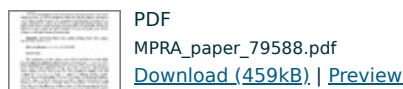


The Federal Reserve System and Eurosystem's Balance Sheet Policies During the Financial Crisis: A Comparative Analysis

Bagus, Philipp and Howden, David (2009): *The Federal Reserve System and Eurosystem's Balance Sheet Policies During the Financial Crisis: A Comparative Analysis*. Published in: *Romanian Economic and Business Review* , Vol. 3, No. 43 (2009): pp. 165-185.



PDF
MPRA_paper_79588.pdf
[Download \(459kB\)](#) | [Preview](#)

Abstract

The balance sheet developments of the Federal Reserve System have received increased attention during recent events. The Fed has expanded its balance sheet and also changed its composition in order to support the financial system. As a consequence the average quality of the assets have, on average, deteriorated. In a similar way, the ECB has recently implemented novel balance sheet policies. In this article we compare the balance sheet policies of these two central banks. We assess the differences in policy strategies and deduct consequences concerning the quality of the respective currencies, as well as future directions of monetary policy.

Item Type: MPRA Paper
Original Title: The Federal Reserve System and Eurosystem's Balance Sheet Policies During the Financial Crisis: A Comparative Analysis
Language: English
Keywords: Central Bank Balance Sheets, Quality of Money, Balance Sheet Analysis, Monetary Policy, Subprime Crisis.
Subjects: [E - Macroeconomics and Monetary Economics](#) > [E3 - Prices, Business Fluctuations, and Cycles](#) > [E31 - Price Level ; Inflation ; Deflation](#)
[E - Macroeconomics and Monetary Economics](#) > [E5 - Monetary Policy, Central Banking, and the Supply of Money and Credit](#) > [E52 - Monetary Policy, Their Policies](#)
[E - Macroeconomics and Monetary Economics](#) > [E5 - Monetary Policy, Central Banking, and the Supply of Money and Credit](#) > [E58 - Central Banks and Monetary Administration and Business Economics ; Marketing ; Accounting ; Personnel Economics](#) > [M4 - Accounting and Auditing](#) > [M40 - General](#)
Item ID: 79588
Depositing User: [Dr. David Howden](#)
Date Deposited: 09 Jun 2017 04:42
Last Modified: 04 Oct 2019 03:40

References:
Bagus, Philipp. 2008. Deflation, Growth and the Quality of Money – a revealing Chapter of Monetary History from 1865 to 1896, *German Review of New Austrian Economics*, 2(2).
Bagus, Philipp, and David Howden. 2009a. Iceland's Banking Crisis: the Meltdown of an Interventionist Financial System. Ludwig von Mises Institute, Daily Article, June 9th, <http://mises.org/story/3499>
Bagus, Philipp, and David Howden. 2009b. Qualitative Easing in Support of a Tumbling Financial System: A Recent Look at the Eurosystem's Recent Balance Sheet Policies. *Economic Affairs*, forthcoming.
Bagus, Philipp and Markus H. Schiml. 2008. Bilanzpolitik und -analyse von Notenbanken im Kontext der Qualitätstheorie des Geldes, *German Review of New Austrian Economics*, 2(3).
Bagus, Philipp and Markus H. Schiml. 2009a. New Modes of Monetary Policy: Qualitative Easing by the Fed. *Economic Affairs*, 29 (2): 46-49.
Bagus, Philipp and Markus H. Schiml. 2009b. The Insolvency of the Fed. Mises Institute Daily Article, 5th February. Available at: <http://mises.org/story/3281>. Accessed: 11.06.2009

Bailey, Henry R. 1888. A Paper on Balance Sheets and How to Prove Them. LSE Selected Pamphlets.

Beckhart, Benjamin Haggott. 1940. Monetary Policy and Commercial Bank Portfolios. *The American Economic Review*, 30(1-2), Papers and Proceedings: 17-26.

Bernanke, Ben S., and Vincent R. Reinhart. 2004. Conducting Monetary Policy at Very Short-Term Interest Rates. *The American Economic Review*, 94(2), Papers and Proceedings: 85-90.

Bernanke, Ben S., Vincent R. Reinhart, and Brian P. Sack. 2004. Monetary Policy Alternatives at the Zero Bound: An Empirical Assessment. Finance and Economics Discussion Series, Divisions of Research & Statistics and Monetary Affairs. Federal Reserve Board, Washington D. C.: Staff Working Paper 2004-48.

Blinder, Alan S., Michael Ehrmann, Marcel Fratzscher, Jakob De Hann, and David-Jan Jansen. 2008. Central Bank Communication and Monetary Policy. *Journal of Economic Literature*, 46(4): 910-945.

Brunnermeier, Markus K. 2009. Deciphering the Liquidity and Credit Crunch 2007-2008. *The Journal of Economic Perspectives*, 23(1): 77-100.

Buiter, Willem. 2008. Can Central Banks Go Broke?, Policy Insight No. 24, Centre for Economic Policy Research.

Buiter, Willem. 2009a. Quantitative and Qualitative Easing Again. *Financial Times Mavercon Blog*. 11th January 2009. Available at: <http://blogs.ft.com/mavercon/2009/01/quantitative-and-qualitative-easing-again/>. Accessed: 10.06.2009.

Buiter, Willem (2009b) Regulating the new Financial Sector. *Voxeu.org* 09.03.2009 <http://www.voxeu.org/index.php?q=node/3232> Accessed: 10.06.2009.

Cecchetti, Stephen G. 2009. Crisis and Responses: The Federal Reserve in the Early Stages of the Financial Crisis. *Journal of Economic Perspectives*. 23(1): 51-75.

Choi, Frederick D. S., and Gerhard Mueller. 1992. *International Accounting*, 2nd ed. Englewood Cliffs: Prentice Hall.

Cochrane, Laura. 2008. Macquarie Asks ECB for Repo Eligibility on Asset-Backed Bonds. *Bloomberg*. <http://www.bloomberg.com/apps/news?pid=20601080&sid=aIUR12i67Jy4&refer=asia> Accessed: 29.03.2009

Cunningham, Thomas J. 1992. Some Real Evidence on the Real Bills Doctrine versus the Quantity Theory, *Economic Inquiry*, 30(2):371-83.

Dincer, Nergiz, and Barry Eichengreen. 2009. Central Bank Transparency: Causes, Consequences and Updates. NBER Working Paper No. 14791.

ECB. 1999. Consolidated opening financial statement of the European System of Central Banks (Eurosystem) as at 1 January 1999. http://www.ecb.int/press/pr/date/1999/html/pr990105_1.en.html. Accessed 29.03.2009

ECB. 2008. REGULATION (EC) No 1053/2008 OF THE EUROPEAN CENTRAL BANK of 23 October 2008 on temporary changes to the rules relating to eligibility of collateral (Eurosystem/2008/11) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:282:0017:0018:EN:PDF> Accessed: 29.03.2009

ECB. 2009. Consolidated financial statement of the Eurosystem. <http://sdw.ecb.europa.eu/reports.do?node=100000129> Accessed: 29.03.2009

Eggertsson, Gauti B., and Mark Woodford. 2004. Policy Options in a Liquidity Trap. *American Economic Review*, 94(2), Papers and Proceedings: 76-79.

Federal Reserve. 2009. Federal Reserve Statistical Release H.4.1.: Factors Affecting Reserve Balance. <http://www.Federalreserve.gov/releases/h41/> Accessed: 04.03.2009

Fry, Maxwell J. 1992. Can a Central Bank Go Bust? *The Manchester School of Economics & Social Studies*, 60 (supplement): 85-98.

Gray, Simon and Peter Stella. 2008. IMF assesses Central Banks' Reaction. *IMF Survey Magazine: Policy*. <http://www.imf.org/external/pubs/ft/survey/so/2008/POL0115A.htm>. Accessed: 04.04.2009

Gürkaynak, Refet S., Brian P. Sack, and Eric T. Swanson. (2005). Do Actions Speak Louder Than Words? The Response of Asset Prices to Monetary Policy Actions and Statements. *International Journal of Central Banking* 1(1): 55-93.

Hamilton, James D. 2009. Concerns about the Fed's New Balance Sheet. In (eds.) John Ciorciari and John B. Taylor, *The Road Ahead for the Fed*. Stanford, CA: Hoover Institution Press.

Hanks, Sara. 1997. Globalization of World Financial Markets: Perspective of the U.S. Securities and Exchange Commission. In *Handbook of International Accounting*, 2nd ed., (ed.) Frederick D. S. Choi. New York: John Wiley & Sons, Inc. pp. 2.1-2.20.

Hayek, Friedrich A. v. 1925. Die Währungskrise der Vereinigten Staaten seit der Überwindung der Krise von 1920, *Zeitschrift für Volkswirtschaft und Sozialpolitik*, 5, pp. 25-63 and pp. 254-317.

Hazlitt, Henry. 1978. *The Inflation Crisis, and How to Resolve It*. New Rochelle, NY: Arlington House.

Jevons, William. St. [1875] 1876. *Money and the Mechanism of Exchange*. New York: D. Appleton and Co.

Issing, Otmar. 2005 *Kommunikation, Transparenz, Rechenschaft – Geldpolitik im 21. Jahrhundert, Perspektiven der Wirtschaftspolitik*, 6, pp. 521-540.

Kiyotaki, Nobuhiro, and John Moore. 2002. Balance-Sheet Contagion. *The American Economic Review* 92(2), Papers and Proceedings: 46-50.

Mariana, Juan de. [1609] 1994. *De Monetae Mutatione*. Edited by Josef Falzberger. Heidelberg: Manutius Verlag.

McKean, Roland N. 1949. Liquidity and a National Balance Sheet. *The Journal of Political Economy*, 57(6): 506-522.

McLeay, Stuart. 1991. "International Financial Analysis". In Nobes, C., and Parker R. eds. Comparative International Accounting, 3rd ed. Cambridge: Prentice Hall.

Menger, Carl [1871] 2007. Principles of Economics, trans. J. Dingwall and B. F. Hoselitz. Auburn, AL: Ludwig von Mises Institute.

Mishkin, Frederic S. 1978. The Household Balance Sheet and the Great Depression. The Journal of Economic History, 38(4): 918-937.

Rosa, Carlo, and Giovanni Verga. 2008. The Impact of Central Bank Announcements on Asset Prices in Real Time. International Journal of Central Banking, 4(2): 175-217.

Rothbard, Murray N. [1963] 2000. America's Great Depression, 5th ed. Auburn, AL: Ludwig von Mises Institute.

Serrano Cinco, Cecilio, Carlos Mar Molinero and J. L. Gallio Larraz. 2002. A Multivariate Study of the Economy of the European Union via Financial Statements Analysis. The Statistician 51(3): 335-354.

Sherman, Ron, and Rebecca Todd. 1997. International Financial Statement Analysis. In Handbook of International Accounting, 2nd ed., (ed. Frederick D. S. Choi. New York: John Wiley & Sons, Inc. pp. 8.1-8.61.

URI: <https://mpra.ub.uni-muenchen.de/id/eprint/79588>

All papers reproduced by permission. Reproduction and distribution subject to the approval of the copyright owners.



View Item

Contact us: mpra@ub.uni-muenchen.de

 Atom  RSS 1.0  RSS 2.0

This repository has been built using [EPrints software](#).

MPRA is a [RePEc](#) service hosted by  **UB** | Universitätsbibliothek
Ludwig-Maximilians-Universität München

Munich Personal RePEc Archive

[Privacy Statement](#)

[Copyright and Disclaimer](#)