

Please use this identifier to cite or link to this item: <https://hdl.handle.net/10419/115877>

**Title:**

Monetary policy during financial crises: Is the transmission mechanism impaired?

Authors:

Jannsen, Nils
Potjagailo, Galina
Wolters, Maik H.

Year of Publication:

2015

Series/Report no.:

Kiel Working Paper No. 2005

Publisher:

Kiel Institute for the World Economy (IfW), Kiel

Abstract:

We study the macroeconomic effects of monetary policy during financial crises using a Bayesian panel vector autoregressive (PVAR) model for 20 advanced economies. We interact all of the endogenous variables with financial crisis dummies, which are constructed using the narrative approach. We also distinguish between an acute initial phase of financial crises and a subsequent recovery phase. We show that an expansionary monetary policy shock has large positive effects on output and inflation during the acute phase of a financial crisis. These effects are larger than those during non-crisis periods. Decreased uncertainty as well as increases in consumer confidence and share prices explain these large effects, whereas these variables are much less relevant for monetary policy transmission outside financial crises. Counterfactual analysis shows that the transmission mechanism would be impaired without the effects of monetary policy on these variables, where credit would not react at all and the response of output would be substantially lower. During the recovery phase of a financial crisis, output and inflation are generally non-responsive to monetary policy shocks.

Subjects:

fiscal monetary policy transmission

financial crisis

financial crisis
financial stability
state-dependence
uncertainty
panel VAR

A service of the

ZBW (HTTP://WWW.ZBW.EU)

JEL:

C33
E52
E58
G01

Document Type:

Working Paper

Appears in Collections:

Kiel Working Papers, Kiel Institute for the World Economy (IfW Kiel)
Publikationen von Forscherinnen und Forschern des Kiel Instituts für Weltwirtschaft (IfW Kiel)

Is cited by:

23 documents.

Cites the following sources:

66 sources.

Files in This Item:

File	Size
833489267.pdf (https://www.econstor.eu/bitstream/10419/115877/1/833489267.pdf)	696.87 kB

[Download Statistics \(/esstatistics/10419/115877?year=2025&month=2\)](/esstatistics/10419/115877?year=2025&month=2)

[BibTeX-Export \(/bibtexexport/10419/115877/Jannsen2015Monetary.bib\)](/bibtexexport/10419/115877/Jannsen2015Monetary.bib)



Items in EconStor are protected by copyright, with all rights reserved, unless otherwise indicated.