Monetary Policy during Financial Crises: Is the Transmission Mechanism Impaired?

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Discussion Remarks
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Brief summary and contribution of paper

1. Paper looked at the impact of MP on output during financial crisis

2. Financial crisis dummies are interacted with other macroeconomic variable using a panel VAR

3. Paper contributes to existing literature on monetary policy (MP) transmission:
   a. Covers both advanced and emerging economies
   b. Made separation on looking at periods of crisis and non-financial crisis as well as breaking down further the financial crisis periods to recessionary and recovery phases

4. The differences of MP transmission in various phase of financial crisis provide insights on the diverging results from previous literature – since previously no separation was made

5. Moreover, prior literature did not look at recession periods during financial crisis and non-financial crisis

6. Differences in the effectiveness of MP during financial crisis are mainly due to changes in MP transmission shocks
Notable observations

1. MP shocks have the biggest impact on growth during the recessionary periods of financial crisis; could largely be driven by the recent financial crisis
   
a. However, impact is weaker during recovery period in a financial crisis

Improves on the discussion of keeping interest rates too low for too long and could provide some useful insights on the timing to normalize interest rates

2. Consumer confidence and share prices react strongly to MP shocks during recession phases of financial crises, less so on the credit channel

Reinforce the importance of communication of clear and consistent measures and policies particularly during periods of financial crisis
Suggestions

1. To discuss results on financial crisis and non-financial crisis separately; perhaps a dedicated section on each

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<th>Financial crisis</th>
<th>Non-FC</th>
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<tr>
<td>Advanced (OECD)</td>
<td>Recession</td>
<td>Recovery</td>
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<td>Emerging</td>
<td>Recession</td>
<td>Recovery</td>
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2. To probe further and extend the discussion on finding out explanations on some of the findings:
   
   a. Larger response in magnitude of response to shock during recessions in emerging economies, while it is the opposite in advanced economies
   
   b. MP was more effective in affecting GDP in recent financial crisis

3. In the case of emerging economies:
   
   a. To consider external factors in contributing to recovery e.g. countries exporting their way out of recessions during Asian Financial Crisis
   
   b. External monetary policy spillovers in EMEs
Suggestions

5. To cover some discussions on policy implications – Answering the ‘so what?’ bit

6. Further suggestions on robustness checks
   a. Control measures for UMP measures ✓
   b. Control for ER, perhaps to also consider controlling for capital flows, or some indicators of openness
   c. Control for fiscal, to still continue with it and used several possible proxies e.g. fiscal deficit, public debt
   d. Control for financial stability measures
   e. Consider other credit-related variables e.g. loan officers survey
Final words

1. Paper is very insightful and good innovation in understanding better the transmission mechanism dynamics during crisis – the new normal?
   a. Transmission impaired or changed during financial crises

2. Look forward to reading further enhancements to the paper

3. Job well done!