



Institute for Monetary and Economic Studies,
Bank of Japan

IMES Newsletter

June 2021

The Institute for Monetary and Economic Studies (IMES) was founded in 1982 as an internal organ of the Bank of Japan, in commemoration of the Bank's centennial. The IMES conducts a wide range of studies on the theoretical, institutional, and historical aspects of monetary and economic issues. The IMES also collects, conserves, and exhibits historical materials related to monetary and economic issues.

Highlights

2021 BOJ-IMES Conference

- ✓ Opening remarks
- ✓ Mayekawa Lecture
- ✓ Keynote speech
- ✓ Policy panel discussion

The IMES Newsletter aims to provide the latest information about the IMES' activities and major events.

2021 BOJ-IMES Conference

The Institute for Monetary and Economic Studies (IMES) of the Bank of Japan (BOJ) held the 2021 BOJ-IMES Conference, titled "Adapting to the New Normal: Perspectives and Policy Challenges after the COVID-19 Pandemic," online on May 24–25, 2021.

The conference was held online for the first time since its inauguration in 1983. It covered a wide range of issues regarding economic perspectives and policy challenges in the post-pandemic economy.

The conference began with opening remarks by Haruhiko Kuroda (Governor, BOJ). He first posed two questions as the central theme of the conference: what the new normal will look like that emerges after the pandemic, and how we are going to adapt to this new normal. He reviewed the issues on economic perspectives and policy challenges after the COVID-19 pandemic. He pointed out that the world had undergone irreversible change as it had adapted to the pandemic by accelerating digitalization. He concluded his remarks by looking forward to a broad spectrum of views and insights during the conference into the post-pandemic economy and policies.



BOJ Governor Haruhiko Kuroda delivering his opening remarks (Photo: Misa Nakashima)

In the Mayekawa Lecture, Professor Olivier J. Blanchard (Massachusetts Institute of Technology) reviewed fiscal policy under low interest rates. He first argued that low interest rates were an historical trend that would likely continue. He then explained that debt sustainability depends on the difference between the interest rate and the growth rate, outlining the implications for fiscal and monetary policy. Finally, he argued that fiscal spending was required to maintain aggregate demand against the COVID-related downturn and that policies that trigger private investment were needed, while avoiding large fiscal deficits.



Professor Olivier J. Blanchard (Massachusetts Institute of Technology) delivering the Mayekawa Lecture



Professor Athanasios Orphanides (Massachusetts Institute of Technology, Honorary Adviser to the IMES) delivering the keynote speech

In the keynote speech, Professor Athanasios Orphanides (Massachusetts Institute of Technology, Honorary Adviser to the IMES) reviewed and praised the responses of central banks to the COVID-19 crisis by noting that they had unleashed the power of their balance sheets. He pointed out that the balance sheets were used effectively as a potential backstop against adverse market reaction and that quantitative easing had compressed term premia and reduced the cost of refinancing of government debt, which facilitated fiscal expansion. In light of these fiscal-monetary interactions, he concluded by discussing how central bank independence could be best protected.

The policy panel discussion, moderated by Professor Kazuo Ueda (Kyoritsu Women's University and University of Tokyo, IMES Chief Councillor), had six panelists: Gita Gopinath (Economic Counsellor and Director of the Research Department, International Monetary Fund), Charles L. Evans (President, Federal Reserve Bank of Chicago), Tiff Macklem (Governor, Bank of Canada), Philip R. Lane (Member of the Executive Board, European Central Bank), Stefan Ingves (Governor, Sveriges Riksbank), and Masazumi Wakatabe (Deputy Governor, BOJ). They discussed a broad range of issues facing policymakers in the wake of the COVID-19



Moderator: Professor Kazuo Ueda (Kyoritsu Women's University and University of Tokyo, IMES Chief Councillor)



Panelists [From top-left]: Gita Gopinath (International Monetary Fund), Charles L. Evans (Federal Reserve Bank of Chicago), Tiff Macklem (Bank of Canada), [From bottom-left] Philip R. Lane (European Central Bank), Stefan Ingves (Sveriges Riksbank), and Masazumi Wakatabe (BOJ)

pandemic. The topics included the short-term and long-term macroeconomic implications of the pandemic, its distributional consequences, monetary policy responses, and new challenges for central bankers.

In the presentation sessions, three prominent scholars gave presentations on issues related to debt sustainability and the nature of work after the COVID-19 pandemic, and these issues were

then discussed by the conference participants.

In the concluding remarks, Professor Carl E. Walsh (University of California, Santa Cruz, Honorary Adviser to the IMES) summarized the issues raised in each session and concluded that the discussions at the conference offered important insights into the policy challenges and into the factors that would influence the shape of the post-COVID-19 economy.



[From left] Professor Atif R. Mian (Princeton University) presenting “A Goldilocks Theory of Fiscal Policy”; Professor Markus K. Brunnermeier (Princeton University) presenting “Debt as Safe Asset: Mining the Bubble - FTPL with a Bubble & MMT”; Professor David Autor (Massachusetts Institute of Technology) presenting “The Nature of Work After the COVID Crisis: Too Few Low-Wage Jobs”

Professor Carl E. Walsh (University of California, Santa Cruz, Honorary Adviser to the IMES) delivering the concluding remarks

Recent Publications from the IMES

IMES Discussion Paper Series

- No. 2021-E-4** “Monetary and Macroprudential Policies under Dollar-Denominated Foreign Debt” by Hidehiko Matsumoto, May 2021
- No. 2021-E-3** “Security Risks of Machine Learning Systems and Taxonomy Based on the Failure Mode Approach” by Kazutoshi Kan, May 2021
- No. 2021-E-2** “A Quest for Monetary Policy Shocks in Japan by High Frequency Identification” by Fumitaka Nakamura, Nao Sudo, and Yu Sugisaki, April 2021
- No. 2021-E-1** “Procyclical Leverage and Crisis Probability in a Macroeconomic Model of Bank Runs” by Daisuke Ikeda and Hidehiko Matsumoto, March 2021
- No. 2020-E-15** “Digital Money as a Unit of Account and Monetary Policy in Open Economies” by Daisuke Ikeda, December 2020
- No. 2020-E-14** “Necessities, Home Production, and Economic Impacts of Stay-at-Home Policies” by Makoto Nirei and Nao Sudo, December 2020
- No. 2020-E-13** “Productivity and Trade Dynamics in Sudden Stops” by Felipe Benguria, Hidehiko Matsumoto, and Felipe Saffie, October 2020

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- “Security Analysis of Machine Learning Systems for the Financial Sector” by Shiori Inoue and Masashi Une
- “The Disclosure of Non-GAAP Performance Measures and the Adoption of IFRS: Evidence from Japanese Firms’ Experience” by Yuta Shibasaki and Chikara Toyokura
- “Monetary Policy in the 1990s: Bank of Japan’s Views Summarized Based on the Archives and Other Materials” by Masanao Itoh, Yasuko Morita, and Mari Ohnuki

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