

Discussion on Session 1-1: The Relevance of the Fiscal-Monetary Policy Mix for Disinflation

Makoto Nirei
University of Tokyo

Tokyo Fiscal Forum
June 2023

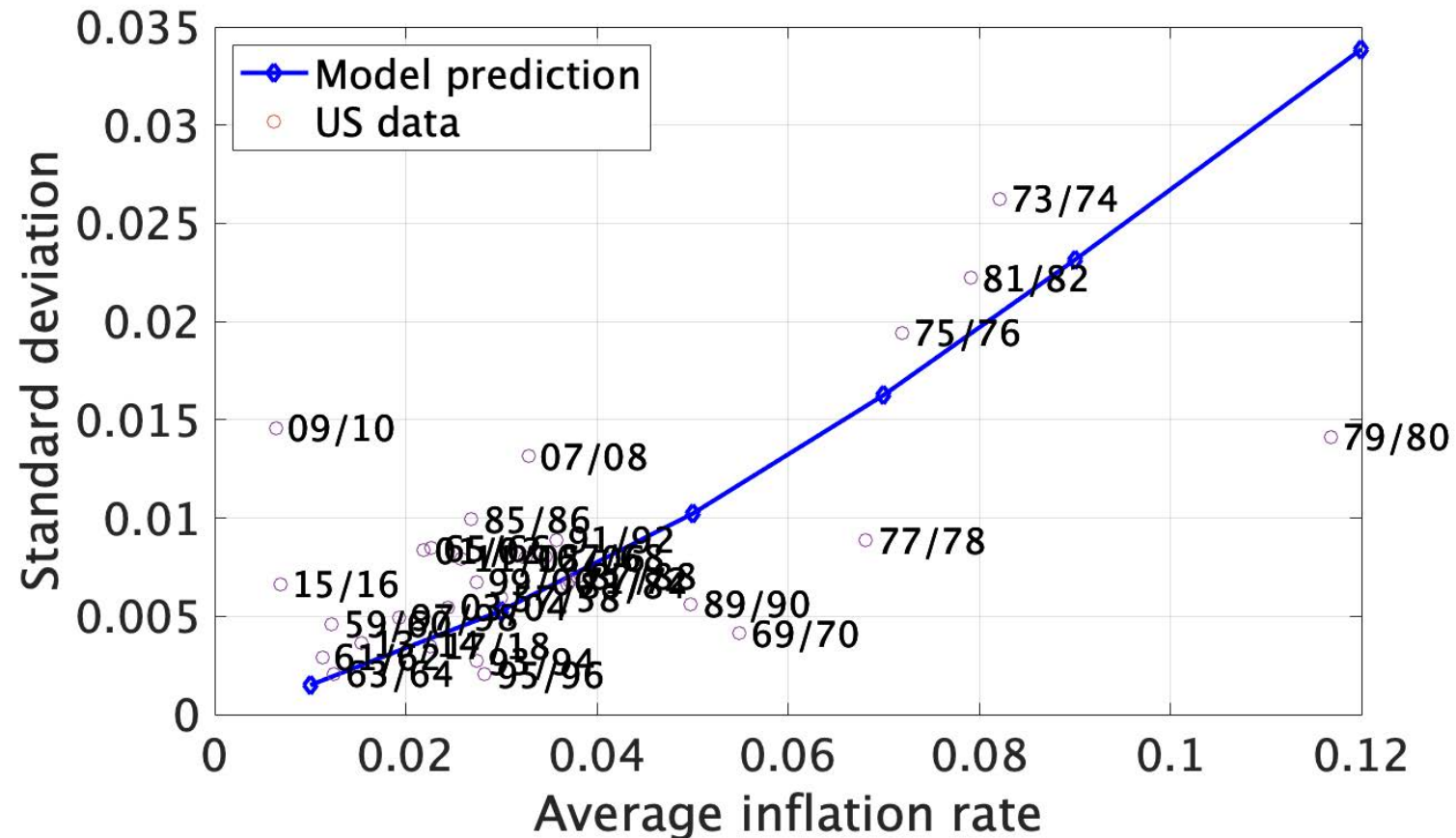
Recap of presentations

- Gaspar
 - Mounting public debt
 - Expected rise of inflation
 - Role of debt reduction for disinflation especially in EMs
- Pench
 - Old normal and new normal (occasionally binding ZLB)
 - Temporary regime switching rather than “worst of both”
 - EMU experience: active fiscal-monetary coordination during COVID
- Stephens
 - Strong fiscal response to COVID in NZ
 - Consequences: strong recovery and high inflation
 - Fiscal framework; targeted fiscal interventions; scope for coordination

Some responses

- Virtue of old normal
 - MP independence and fiscal discipline
 - Three shades of old normal: EMU, Japan (ZLB), EMs
- Low r^*
 - Structurally low real natural risk-free rate
 - But not low risky business rate
 - Difficulty in macro management under low r^* and ZLB
 - *e.g.* asset prices, calling for macroprudential measures
- Higher price targets?

Tradeoff between long-run level and short-run volatility of inflation rates



(MN and Jose Scheinkman, 2022)

Other thoughts

- COVID handouts and fiscal transfers
- Inflation-relief subsidies/transfers
- Harbinger of new normal for active redistributions?
 - Use of quasi money
 - CBDC and new form of fiscal-monetary coordination