

Monetary and macroprudential policy and inequality

Summary of findings from advanced economies

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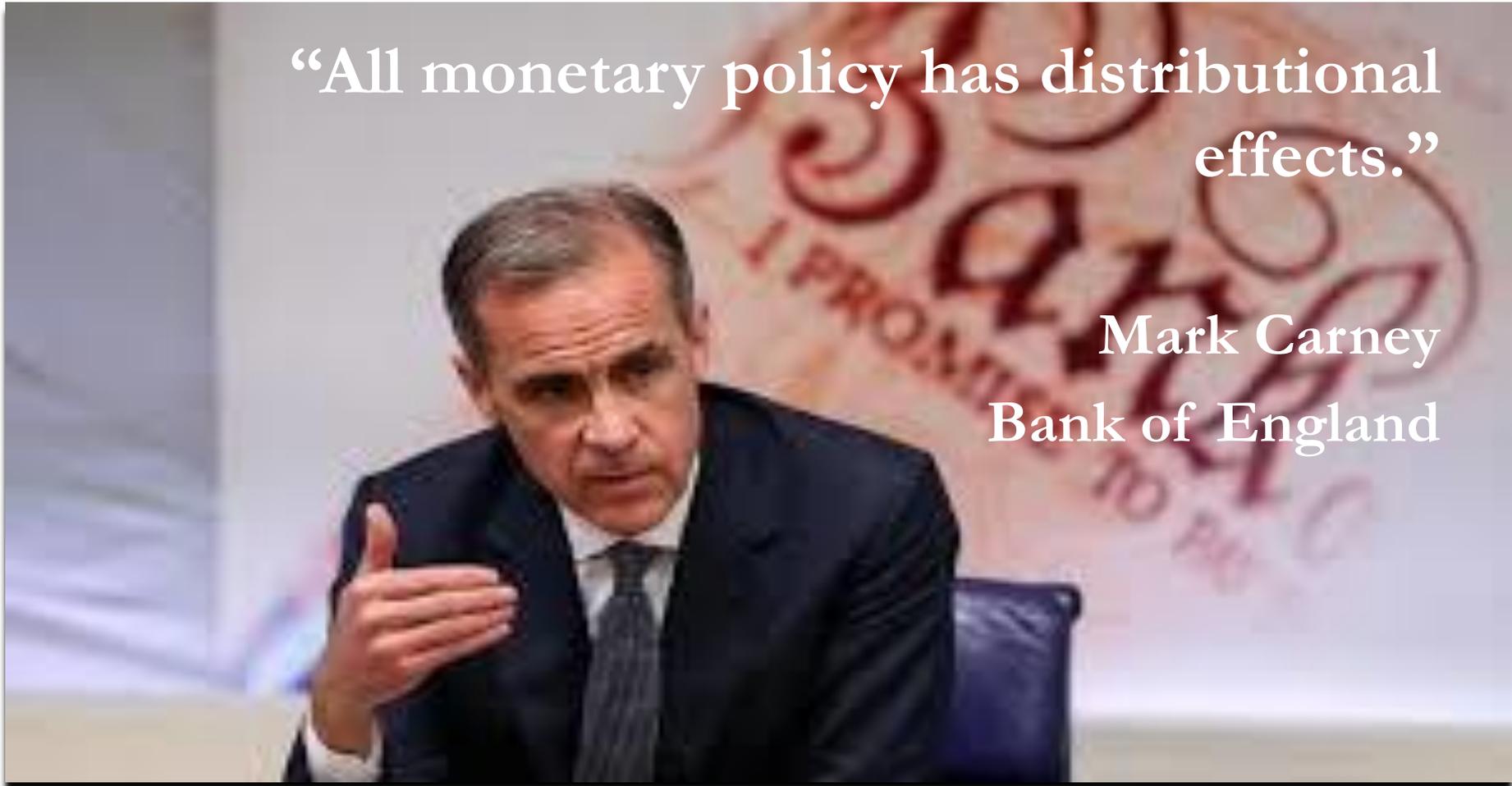
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“All monetary policy has distributional effects.”

Mark Carney
Bank of England



Income and wealth inequality and ...

- ... conventional monetary policy
- ... unconventional monetary policy
- ... macroprudential regulation

Channels from monetary policy to income inequality

- Income composition channel
- Labour income heterogeneity
- Capital income heterogeneity

Income inequality and conventional monetary policy

- Conventional expansive monetary policy decreases inequality
 - International: Furceri *et al.* (2017)
 - United States: Coibion *et al.* (2017)
 - United Kingdom: Mumtaz and Theophilopoulou (2016)
 - Euro area: Guerello (2017)
- Impact is economically significant
- Labour income heterogeneity channel seems to be the main driver of this effect

Income inequality and unconventional monetary policy

- No clear-cut results. Impact on labour income is key
- Increases income inequality
 - United States: Montecino and Epstein (2017)
 - United Kingdom: Mumtaz and Theophilopoulou (2016)
 - Japan: Saiki and Frost (2014)
- Decreases income inequality
 - Euro area: Casiraghi *et al.* (2017), Guerello (2017), ECB (2017)
 - United Kingdom: Bank of England (2012)
 - United States: Bivens (2015)

Monetary policy and wealth inequality

- Conventional and unconventional expansionary monetary policy seem to increase wealth inequality
 - Adam and Tzamourani (2016): disproportionately large gains at top end of wealth distribution, mainly through equity capital gain for Euro area
 - Casiraghi *et al* (2017): U-shape change in wealth but statistically negligible

Macroprudential regulation and inequality

- Inequality can be a potential source of financial instability...
- ... but macroprudential measures to tackle systemic financial risk also have an impact on inequality
- Empirical evidence are still at embryonic stage
 - Frost and van Stralen (2017)
 - Carpentier *et al.* (2017)