

The role of macroprudential policies

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Objectives

- To analyse the trade-off between good and bad times created by macroprudential policies
- To examine issues of international cooperation and coordination with monetary policy
- To design the optimal macroprudential policy

The belief held during the period of the Great Moderation that macro-economic stability could be attained by monetary policy has been replaced by a growing consensus on the crucial role of macroprudential policies. The main goal of macroprudential policies is to promote financial stability by limiting excessive risks and vulnerabilities in the financial system. Macroprudential policies inherently represent a trade-off between efficiency and welfare losses ex ante in good times and the gains ex post should a crisis arise. Analysis of this trade-off has been the focus of research in the ADEMU project.

Further reading

To read the full paper which accompanies this policy brief, see chapter nine (pages 85-91) of the ADEMU e-book published by VoxEU.org:

www.voxeu.org/The-emu-after-the-crisis

You can see a short video summary of this topic by the author at:

www.ademu-project.eu/ademu-explained-financial-stability-and-the-role-of-macroprudential-policies-with-radim-bohacek

This topic also relates to the following policy brief:

Banking Union and the ECB

www.ademu-project.eu/banking-union-and-the-ecb

There are 23 working papers related to this topic. See the full list:

www.ademu-project.eu/ademu-working-papers-related-to-work-package-3

www.ademu-project.eu



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