

# Aspetti monetari e reali della crisi europea

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**The ECB's monetary policy during the Great Recession. Not so unconventional**

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## Abstract

The ECB has reacted to the financial crisis, which began in mid-2007 by, (1) reducing the official interest rate, (2) adopting a set of measures, covered by the term “enhanced credit support”, aiming to inject huge amounts of liquidity in money markets- which included fixed rate full allotment tenders, at longer maturities, against a longer list of eligible collateral, in foreign currency when needed; and two covered bonds purchase programmes –and (3) purchasing public debt, through the securities market programme (SMP) first, and the outright monetary transactions (OMT) later. The ECB has qualified the enhanced credit support and the outright purchase of treasury bonds as non-conventional monetary policy measures. With such measures, the ECB aims to make credit flow, and to restore the monetary policy transmission mechanism. In this paper we hold that the ECB's reaction cannot be considered as unconventional, but as the normal, expected defensive policy to keep some control on the interest rates on the main refinancing operations, and on longer term interest rates. Our view is grounded on the post Keynesian view of endogenous money and the principle of effective demand.

**Dissecting Trade Imbalances in the Eurozone: A WIOD Analysis**

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## Abstract

External imbalances have been a pervasive feature in several explanations of the current Eurozone (EZ) crisis (e.g. Ca'Zorzi, Chudik, and Dieppe 2012; European Commission 2012; Flassbeck and Lapavitsas 2013; Guerreri and Esposito 2012), probably because domestic demand policy is constrained by the trade balance. In all these analyses, however, each country's balance of trade (BoT) is computed with respect to the rest of the world, without distinguishing between intra- and extra-EZ patterns of surplus and deficits (see Collignon 2012). But this is a serious limiting factor, given that trade integration and international fragmentation of production have made clear that a single country's foreign trade constraint is no longer solely a problem of its own effective demand: an important proportion of its own intermediate imports depends on autonomous expenditure decisions of others (Rampa and Lanza 1988). In fact, trade in intermediates is induced by the import requirements to satisfy final uses, so that each source of domestic final demand activates a trade balance of intermediate inputs in every country. Hence, by taking advantage of the rich time-series of World Input-Output Tables for the 1995-2011 period, provided by the WIOD project (Dietzenbacher, Los, Stehrer, Timmer, and De Vries 2013), this paper aims at formulating a Balance of Trade (BoT) decomposition for every EZ country by activating source of final demand and geographical origin of products, in order to trace, for example, intra-EZ trade in intermediates activated by final demand of intra-EZ regions for intra-EZ products, or any other possible combination of these criteria. By proceeding in this way at both (country) aggregate and sectoral levels, we try to uncover the inner structure of trade imbalances in the EZ, in order to arrive at a characterisation in terms of international exposure, specialisation and hierarchy for each country. Such a characterisation might be useful to identify structural strengths and weaknesses of a monetary union in need of reflating effective demand.