

Policy panel 1: How global is inflation?

Hans Genberg
Asia School of Business

BCC 10th Annual Conference

“Is inflation back, and in which form?”

Geneva, 22-23 September 2022



Outline



1. Then: Worldwide Inflation: A Walk Down Memory Lane

2. Now: With floating rates, what creates spillovers?
 - Transmission mechanisms
 - Policy objectives
 - Shocks

3. Policies matter
 - Don't focus only on Central Banks

Then: A walk down memory lane



Title: Worldwide inflation under the dollar standard

Author: [Genberg, Hans](#) and [Swoboda, Alexander Karel](#)

Publisher: Genève, Institut universitaire de hautes études internationales

Date: 1977

Pagination: 39, VIII p.

- The concept had an analytical foundation: Fixed exchange rates, Price-Specie Flow Mechanism
- With the advent of flexible exchange rates in more and more countries, the analytical foundations had to change

Now: Alternative Analytical Frameworks



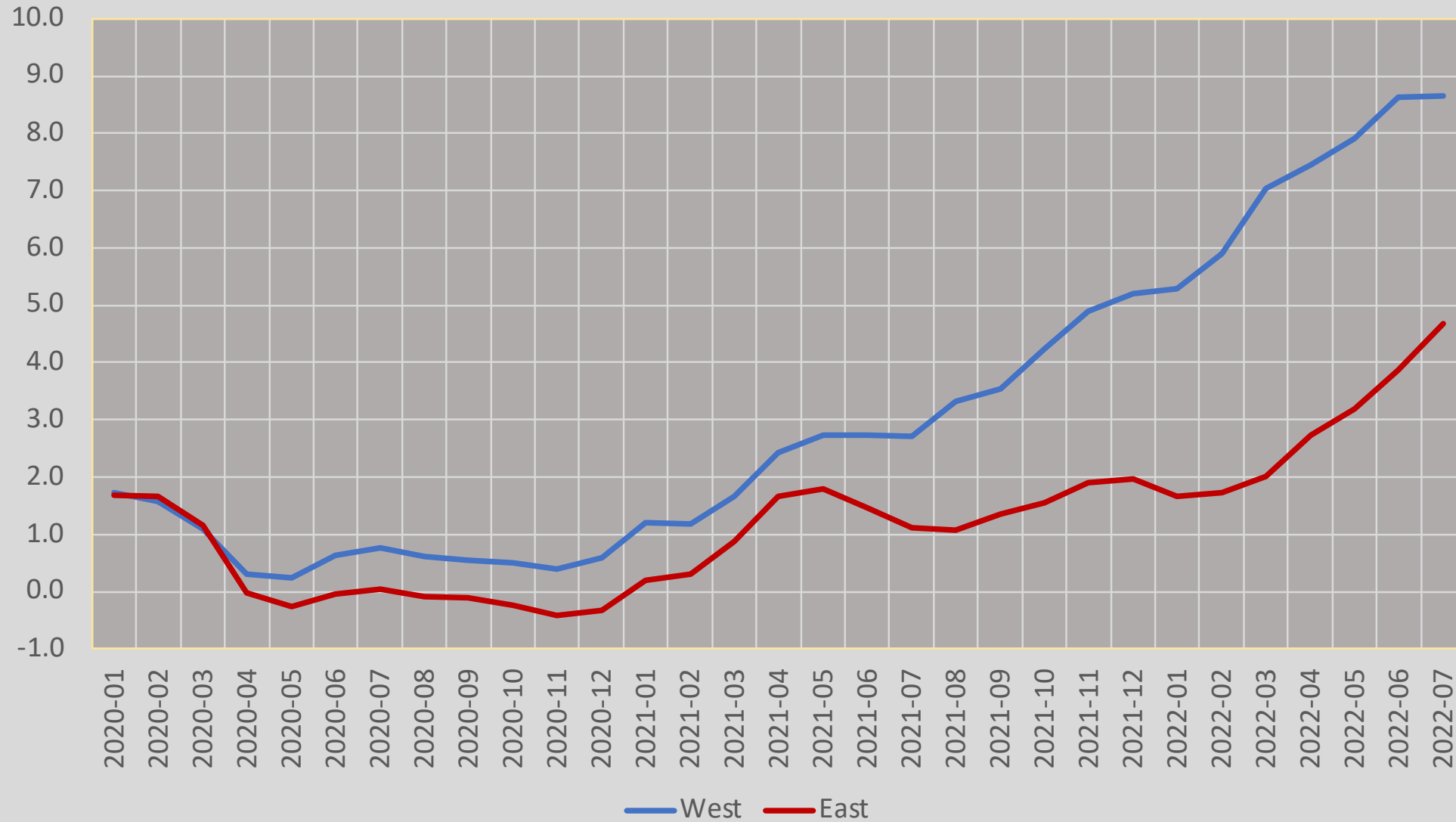
- Transmission mechanisms
 - Monetary policy spillovers. Uncertain sign
 - Demand spillovers. Both final goods and through production networks. Global slack in domestic Phillips Curves
- Similarity of policy objectives
 - Targeting inflation is widespread
- Global shocks

Policies matter

Don't focus only on Central Banks!

- Fiscal dominance
 - Will it become more prevalent as more countries have reduced fiscal space after the response to the pandemic?
- Fuel price policies: Asia vs Europe/US
 - Subdued inflation in Asia as a result of subsidies?

Inflation: Europe-US vs Asia



Sources:
Japan and USA: Fred Database
Malaysia: Bank Negara Malaysia website

Coordination of Monetary and Fiscal Policies



- Can temporary fiscal subsidies prevent (reduce) the pass-through of fuel price increases to the rest of the economy?
 - Prevent de-anchoring of inflationary expectations?
 - Reduce the demand for wage increases?
- Of course there are costs – budgetary for the government, and potentially distortionary price signals.
- But are these necessarily bigger than if the fuel price increases feed into inflationary expectations and requiring greater monetary tightening?



Master of Central Banking at ASB

<https://asb.edu.my/academic-program/master-of-central-banking>

