Central Banks Study Themselves

The effectiveness of unconventional monetary policy has been a subject of intense debate in both academic and policy circles. In **"Fifty Shades of Quantitative Easing: Comparing Findings of Central Bankers and Academics"** (Research Briefs in Economic Policy no. 271), Brian Fabo, Martina Jančoková, Elisabeth Kempf, and Lubos Pastor find that central bank researchers have tended to produce inflated estimates of the positive impact of quantitative easing policies. This systemic bias undermines the credibility of research and influences policy decisions.

CHOICE BENEFITS EVERYONE

Using extraordinary new child-level data available from Florida, David N. Figlio, Cassandra M. D. Hart, and Krzysztof Karbownik document how the state's expansion of school choice vouchers has benefited not just the students who use them but also those remaining in the public schools, in **"Effects of Scaling Up Private School Choice Programs on Public School Students"** (Research Briefs in Economic Policy no. 274).

TRADE WAR DESTRUCTION

The Smoot-Hawley tariffs are notorious for contributing to a collapse in global trade during the height of the Great Depression. In **"The Smoot-Hawley Trade War,"** (Research Briefs in Economic Policy no. 275), Kris James Mitchener, Kirsten Wandschneider, and Kevin Hjortshøj O'Rourke explore just how destructive they were, examining the widespread retaliations to America's tariff hike and how they negatively impacted their respective countries.

KEEP IT SIMPLE

As expected, the President's Working Group on Financial Markets issued a report outlining the Biden administration's vision for regulating stablecoins, digital currencies that are tied to reserve assets such as the U.S. dollar. In **"A Simple Proposal for Regulating Stablecoins"** (Briefing Paper no. 128), Norbert Michel and Jennifer J. Schulp offer a counterproposal for a light-touch approach that will enable innovation in this nascent field.

THE IMPACT OF OPPRESSION

Discriminatory policies can hinder economic growth. In **"Discrimination, Managers, and Firm Performance: Evidence from 'Aryanizations' in Nazi Germany"** (Research Briefs in Economic Policy no. 270), Kilian Huber, Volker Lindenthal, and Fabian Waldinger document the firm-level consequences of an especially horrendous and infamous example, the purge of Jews in prewar Nazi Germany. Aside from the obvious moral consequences, they find that the removal of Jewish managers and directors had severe negative consequences for the affected firms.

SHAKY FOUNDATION FOR STABILITY

The U.S. Treasury Department will soon release its recommendations for regulating stablecoins, digital currencies whose value is pegged to stable reserve assets such as the U.S. dollar. In **"Treasury's Misguided Focus on the Systemic Risk of Stablecoins"** (Briefing Paper no. 127), Norbert Michel explains why the expected policies inflate risks and are likely to propose more aggressive regulation than is necessary.

SPOOKS AND SHOTS

Bolstering public confidence in vaccinations has been critical to public health, especially during the pandemic. Unfortunately, the CIA's use of vaccine programs as a ruse for intelligence operations has critically undermined trust in Pakistan, with severe negative consequences, as analyzed by Monica

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MARTINEZ-BRAVO

Martinez-Bravo and Andreas Stegmann in **"In Vaccines We Trust? The Effects of the CIA's Vaccine Ruse on Immunization in Pakistan"** (Research Briefs in Economic Policy no. 276).

BITCOIN SNOOPING

The Infrastructure Investment and Jobs Act, recently signed by President Biden, included a dramatic attack on cryptocurrencies, including intrusive new reporting requirements to the IRS. In **"The Infrastructure Investment and Jobs Act's Attack on Crypto: Questioning the Rationale for the Cryptocurrency Provisions"** (Briefing Paper no. 129), Nicholas Anthony explains why these rules are irrational and redundant even on their own terms and how government can much more efficiently monitor transactions by looking at the public blockchain itself.

BOOTLEGGERS, BAPTISTS, AND BAGS

It has become popular to ban externality-generating products, but these policies often target only a narrow subset of the products actually causing the problem, such as the popular regulations against plastic grocery bags, which contribute only a small amount to pollution. In **"The Intended and Unintended Consequences of Disposable Bag Regulation"** (Research Briefs in Economic Policy no. 277), Tatiana Homonoff, Lee-Sien Kao, Javiera Selman, and Christina Seybolt explore this phenomenon of political incentives and how it can cause well-intentioned policies to backfire.

MASK UP?

The widespread mandating of face masks has been one of the hallmarks of the COVID-19 pandemic. But do they work? In **"Evidence for Community Cloth Face Masking to Limit the Spread of SARS-CoV-2: A Critical Review"** (Working Paper no. 64), Ian T. Liu, Vinay Prasad, and Jonathan J. Darrow review the evidence from 16 quantitative meta-analyses. They find that eight were inconclusive, and the other eight recommended mask mandates based on weak evidence.

THERMOSTAT GUIDANCE

MIRON

Climate change is one of the most pressing issues in global politics, as nations and politicians haggle over how to address greenhouse gas emissions. In **"What Should Policymakers Do about Climate Change?"** (Briefing Paper no. 130), Jeffrey Miron and Pedro Braga Soares set aside debates over the causes of climate change and instead consider which policies would have the most effect within the terms of the current scientific consensus. They explain why the ideal policies, which might make sense in theory, can rarely be translated into actual practice. ■

Continued from page 16

Bank of St. Louis discussed whether the current sharp increase in inflation is being driven more by fiscal decisions than monetary policy decisions. "Massive assistance programs, deficits that were about $3 trillion, and debt that surpassed 100 percent of GDP" were all among the aspects of the government's pandemic response. "The result is that over the course of the pandemic, inflation has averaged 3 percent, well above the target." As Martin explained, high government spending has driven up demand, and prices have risen in response. The biggest price increases have been in some of the goods that have also seen the largest increases in supply, pointing to fiscal-driven demand as the cause.

In the lunchtime address, Barry Eichengreen of the University of California, Berkeley, author of *The Populist Temptation*, explored how the rise of anti-elite populism has presented new challenges to central bank independence, both in the United States and around the world, in ways that "tend to have an inflationary bias."

In another discussion about the possibility of expanding the Fed's legal mandate, which has long been defined as price stability and maximum employment, Otmar Issing, former chief economist at the European Central Bank, explained how central bank independence has been a relatively recent innovation. This development arose even though "the independence of the central bank seems to contradict core principles of democracy."

But when this lack of independence resulted in high inflation, the fears of independent technocrats unconstrained by elected politicians receded and a period of relatively low inflation ensued. Now, the debate has been reinvigorated, not just on populist grounds, but also among economists, who are reconsidering to what degree monetary and fiscal policy can be truly independent of each other.

With a changing political landscape and the unprecedented tumult of the COVID-19 pandemic, the Fed's role is becoming more heavily disputed than it has been in decades. These and other discussions continue the Annual Monetary Conference's tradition of providing timely and thoughtful responses to the most pressing contemporary issues in Fed policy. ■

FULL VIDEOS OF THE ADDRESSES AND DISCUSSION PANELS AT THE 39TH ANNUAL MONETARY CONFERENCE CAN BE FOUND AT CATO.ORG/EVENTS/39TH-ANNUAL-MONETARY-CONFERENCE.