Analysing the effectiveness of macroprudential tools

José Viñals[1]

Let me begin by extending a warm thank you to the Central Bank of the Republic of Turkey for their generosity in hosting the event and to former Governor Basçi who had the idea of this conference. Over 120 academics, central bankers and staff of international financial institutions descended by the blue waters of the Bosphorus for a very lively conference on how macroprudential policies could be made more effective. By the time they left, two days later, they had collectively learnt a lot. This conference volume is intended to enable others to participate in that intellectual journey, by bringing together some of the key contributions for a wider audience.

The conference, co-organised by the Central Bank of the Republic of Turkey, BIS and IMF, explored some of the most important and vexing questions that continue to occupy policymakers' minds: What do we know about the transmission and effectiveness of macroprudential policy tools in achieving their objectives? How does macroprudential policy interact with other policies, notably monetary policy, and how might this differ across advanced and emerging markets? Are there potential unintended consequences of macroprudential policy? How important are the cross-border effects of macroprudential policies, and how should these be addressed?

The conference showed that a growing body of research has been able to make important progress in answering these questions. It featured cross-country studies that make use of newly created international databases of macroprudential policy actions, such as the IMF's global macroprudential instruments (GMPI) database, to examine the effects of macroprudential policy for a large number of countries. This was complemented by a range of studies on individual countries that assessed the effects using novel approaches and datasets, for both advanced and emerging markets. New theoretical analysis also showed light, such as on the unintended effects of macroprudential policy through the cycle, where empirical research has not yet been able to reach.

To be sure, not all questions were settled, and much further work remains. For instance, debate will surely continue on how best to address cross-border effects of macroprudential policy, and whether that is even necessary. That said, by the end of the conference, many participants came away encouraged: We appear to have learned a lot already about how macroprudential policy works, compared to only a few years ago, when the global financial crisis led countries to start developing their macroprudential toolkits, and researchers began more seriously investigating the effects of macroprudential tools. What is more, the growing experience confirms that macroprudential policy can be successful in both emerging and advanced economies when properly designed and implemented.

At the IMF, we think that this should give policymakers confidence: countries should develop the courage to make appropriate use of macroprudential policies in their pursuit of financial stability, and guided by the experience of others. And as more countries use macroprudential policy tools, this will lead further experience to

[1] Former Financial Counsellor, International Monetary Fund.

accumulate, enabling us collectively to further refine our knowledge about how to use these tools effectively. We at the IMF will continue draw on that experience also in our bilateral advice, in the context of our Financial Stability Assessment Programs (FSAP) and Article IVs.