

The impact on redistribution of the ECB's monetary policy

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A few weeks before Christine Lagarde assumes the presidency of the European Central Bank (ECB), it may be useful to examine the balance sheet of her predecessors, not only on macroeconomic and financial matters but also with respect to inequality. In recent years, the problem of the redistributive effects of monetary policy has become an important issue, both academically and at the level of economic policy discussions.

Interest in this subject has grown in a context marked by the conjunction of two factors. First there has been a [persistent level of inequality in wealth and income](#), which has been hard to reduce. Then there are the activities of the central banks in the advanced economies following the 2008 crisis to support growth, particularly through the implementation of so-called “unconventional” measures [\[1\]](#). These measures, mainly manifested in quantitative easing (QE) programmes, are suspected to have increased the prices of financial assets and, as a result, favoured wealthier households. At the same time, the low interest rate policy could have resulted in a reduction in interest income on assets with fixed yields, most of which are held by low-income households. On

the other hand, the real effects of monetary policy, particularly on changes in the unemployment rate, could help keep low-income households in employment. The ensuing debate, which initially broke out in the United States, also erupted at the level of the [euro zone](#) after the ECB launched its QE programme.

In a [recent study](#) focusing on 10 euro zone countries between 2000 and 2015, we analysed the impact of the ECB's monetary policy measures – both conventional and unconventional – on income inequality. To do this, we drew on three key indicators: the Gini coefficient, both before and after redistribution, and an interdecile ratio (the ratio between the richest 20% and the poorest 20%).

Three main results emerge from our study. On the one hand, a restrictive monetary policy has a modest impact on income inequality, regardless of the indicator of inequality used. On the other hand, this effect is mainly due to the southern European countries, especially in the period of conventional monetary policy. Finally, we found that the redistributive effects of conventional and unconventional monetary policies do not differ significantly.

These results thus suggest that the monetary policies pursued by the ECB since the crisis have probably had an insignificant

and possibly even favourable impact on income inequality. The forthcoming normalization of the euro zone's monetary policy could, on the contrary, increase inequality. Although this increase may be limited, it is important that decision-makers anticipate it.

[\[1\]](#) For an analysis of the expected impact of the ECB's unconventional policies, see [Blot et al. \(2015\)](#).