This would allow banks to proceed to asset carve-outs if they choose to do so, and therefore to accelerate the transition into balance sheet structures that they needed. Second, it would reduce the opacity premiums that were weighing on the price-to-value ratios of banks and, in turn, facilitate their ability to raise the required capital. While AQR was a micro-supervisory exercise, the associated incentives had macro effects that helped on the margin. The cumulative impact of these policies was to help the ECB regain traction on monetary policy.

The independence of central banks like the ECB should be thought of in terms of 'independence and interdependence'. Interactions between the various elements of policies matter a great deal for the likelihood of success or failure. Realistically, it is reasonable to assume that the next time we face a negative shock, monetary policy might not have normalised to such an extent that we will be able to use the interest rate policy alone. Indeed, we may have to rely again on the unconventional measures used this time. If we do rely on unconventional measures, then the distortionary effects discussed earlier might be sub-optimal. Monetary policy might work, but at a cost to welfare over time. This in turn may contribute to raising tensions in the political realm.

Another word of the caution is that while we have managed to avoid deflation, we have not demonstrated that our tools would have been sufficient to emerge from a deflation. Perhaps they would be, but this has not been empirically established. Going forward, this is an argument to err on the side of caution and to adopt more pre-emptive, rather than reactive, policies. We also need to emphasise that monetary policy alone is not sufficient. Perhaps we do not need full coordination, but it is increasingly important to at least recognise that monetary policy may not succeed alone.

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The question at hand – are the relatively good outcomes we have seen on price developments over the last five or six years the result of good policies or good luck? – would be judged to be a leading question in a court of law. Asking the 'good policies or good luck' the question is indicating that there has been a good outcome. To some extent, there is ambiguity in the report – and perhaps ambiguity across the authors – about how good an outcome it is. We have avoided disinflation and hyper-inflation. However, in the Eurozone context, Angel Ubide asked how comfortable we should be with core inflation stuck very persistently at 1%, when the definition of price stability points to 2%. The report suggests that we got good outcomes because of some luck, but also because general policies have been good. Arnaud Marès suggests we were not lucky but in fact unlucky, and policies must have been really good. While Marès' view deserves sympathy, a contrarian view has merits too. Indeed, there is a danger of complacency from within the profession. As indicated by Ricardo Reis, many observers may believe that inflation is dead. In the spirit of a famous exchange between Zhou Enlai and Richard Nixon, the right answer to the question addressed by the report is "too early to tell." And it will be for a long time yet. We should think about it in terms of a setup of a regime as discussed by Marès, and not just an outcome in a very narrow window. That regime does not consist just of monetary policy but of a whole array of other policies.

The flexible inflation targeting world we had in its first 10 or 15 years was one where things looked pretty clear cut. But the experience with the financial crisis suggests that a lot of the apparently clear division of functions which made central bank independence something relatively simple has begun to breakdown. Agnès Benassy-Quéré's comment on whether macroprudential policy is really a totally independent instrument is an illustration of the same. This institutional uncertainty is particularly relevant to the Eurozone, with its inadequate institutional structure. Discussions in the UK about governance of QE and the reliance by the Federal Reserve on a set of legally questionable devices to get the non-standard policies through go in the same direction. Central banks have been marching very much at the margin of their independence. This in turn raises questions about legitimacy that Arnaud Marès pointed to. Thus, the key question here is: how do we institutionalise the new regime so that it is applicable to a broader set of circumstances?

The contrarian view starts with the observation that it is not surprising that central banks are doing a good job. Central banks are powerful institutions led and staffed by very able people. The stable inflation mandate has been ingrained for many years in now central banks (for 20-25 years in Anglo-Saxon central banks, and for 70 years in German-speaking central banks). Central banks realise that stable expectations are their key mandate, which they have delivered, as documented in the report. However, as Charles Goodhart hinted at, central banks had more ambiguous objectives in the post-war period. Thus, the first question should be what their mandate is. Second, in successfully achieving low inflation over the last few years, what are the side effects of central bank policies? This is the flip side to the positive developments suggested by Arnaud Marès in terms of how other institutions are helping to achieve positive outcomes. During the great moderation, inflation was squeezed out but at the expense of shifting irreducible vulnerabilities that exist in the economy into commercial and investment bank balance sheets. Through the addition of regulation and macroprudential policies, vulnerabilities may have been squeezed out of the financial system too. Where do they go next? Perhaps into the political system and its populist dynamics. This is an important concern for market participants who worry that such a regime switch may end up in an inflationary environment driven by fiscal policy, or in a deflationary environment driven by a breakdown of institutional structures. This is a tail or non-linear risk, better characterised by Knightian uncertainty. It is a form of uncertainty which is very difficult to price, and we should not draw much comfort from financial measures of inflation expectations.

Three aspects of the report merit further scrutiny. First, the success of changing the inflation target will ultimately depend on the credibility and legitimacy of the institutions that do it. Hence, the question of where credibility comes from needs to be answered. Second, although fiscal dominance sounds a reasonable question to raise, it has remained a taboo. Taboos remain taboos in society for deep reasons, and should not be taken lightly. Finally, how do we decide what the structure of an optimal central bank balance sheet should be? Initially, the ECB's objective was to have a narrow balance sheet. We could now be headed to a regime where central banks have wide balance sheets and they hold and actively manage large portfolios of assets that they believe are systemically important for the transmission of monetary policy. Central banks with large portfolios are better able to act easily in a pre-emptive manner than those that need to build up balance sheets and build portfolios when problems arise.