

Press Release, Zurich, 30 January 2024

SFI Public Discussion Note: Central Banks: Money, Policies, and Impact

The footprints of the central banks have grown considerably over the last fifteen years. This growth is the result of unconventional policies implemented in response to the great financial crisis of 2008 and its lingering aftershocks, as well as to the emergence of new crises, such as the Covid-19 pandemic.

These accommodative and expansive new policies have, in many countries, been accompanied by a growth in government debt, with the central banks purchasing large quantities of government bonds using freshly created money. While some may argue that these policies were necessary to avert even deeper crises, years of "easy money" have arguably chipped away at market forces and given rise to other problems. As central-bank accommodation recently hit a roadblock, in the form of inflation levels substantially in excess of the banks' targets, monetary policy tightened in response. The central banks have since seen valuation losses on their bond holdings that, in some cases, are so large their equity would be wiped out if these losses were recognized. Against this backdrop, and amid some controversy, many central banks are now poised to expand their footprint in society even further through the introduction of digital currencies, which challenge our conception of money.

In this SFI Public Discussion Note on "Central Banks: Money, Policies, and Impact," Prof. Kjell G. Nyborg, SFI Senior Chair and Professor of Finance at the University of Zurich, and Dr. Cyril Pasche, SFI Senior Director, trace out central bank policies and their effects since the great financial crisis. Central themes relate to the fundamental notion that "money is economic power" and the links between governments and central banks. The note concludes with a discussion of central bank digital currencies—the introduction of which has potentially far-reaching and unintended consequences—and raises the question of whether governments and central banks should refrain from further monetary adventures.

Read the SFI Public Discussion Note in [English](#) | [French](#) | [German](#) | [Italian](#).

Media Contact:

Dr. Markus P.H. Bürgi

044 254 30 95 | markus.buergi@sfi.ch

Swiss Finance Institute

With support from its founders—the Swiss banking industry, the Swiss Confederation, and leading Swiss universities—the Swiss Finance Institute (SFI) competitively promotes world-class research and teaching in banking and finance in Switzerland. By combining academic excellence with practical experience, SFI contributes to the strengthening of the Swiss financial center. For further information about the Swiss Finance Institute, please visit www.sfi.ch.