

Fiscal Policy Stabilization: Purchases or Transfers?

*Neil R. Mehrotra*

Evaluating Indicators for Use in Setting the Countercyclical  
Capital Buffer

*Eero Tölö, Helinä Laakkonen, and Simo Kalatie*

The Rate Elasticity of Retail Deposits in the United Kingdom:  
A Macroeconomic Investigation

*Ching-Wai (Jeremy) Chiu and John Hill*

Targeting Constant Money Growth at the Zero Lower Bound

*Michael T. Belongia and Peter N. Ireland*

Learning about Commodity Cycles and Saving-Investment Dynamics  
in a Commodity-Exporting Economy

*Jorge Fornero and Markus Kirchner*

Bond Vigilantes and Inflation

*Andrew K. Rose and Mark M. Spiegel*

Global Factors in the Term Structure of Interest Rates

*Mirko Abbritti, Salvatore Dell'Erba, Antonio Moreno, and  
Sergio Sola*

Expectations about the Federal Reserve's Balance Sheet  
and the Term Structure of Interest Rates

*Jane Ihrig, Elizabeth Klee, Canlin Li, Min Wei, and  
Joe Kachovec*



Fiscal Policy Stabilization: Purchases or Transfers? <i>Neil R. Mehrotra</i>	1
Evaluating Indicators for Use in Setting the Countercyclical Capital Buffer <i>Eero Tölö, Helinä Laakkonen, and Simo Kalatie</i>	51
The Rate Elasticity of Retail Deposits in the United Kingdom: A Macroeconomic Investigation <i>Ching-Wai (Jeremy) Chiu and John Hill</i>	113
Targeting Constant Money Growth at the Zero Lower Bound <i>Michael T. Belongia and Peter N. Ireland</i>	159
Learning about Commodity Cycles and Saving-Investment Dynamics in a Commodity-Exporting Economy <i>Jorge Fornero and Markus Kirchner</i>	205
Bond Vigilantes and Inflation <i>Andrew K. Rose and Mark M. Spiegel</i>	263
Global Factors in the Term Structure of Interest Rates <i>Mirko Abbritti, Salvatore Dell'Erba, Antonio Moreno, and Sergio Sola</i>	301
Expectations about the Federal Reserves Balance Sheet and the Term Structure of Interest Rates <i>Jane Ihrig, Elizabeth Klee, Canlin Li, Min Wei, and Joe Kachovec</i>	341

Copyright © 2018 by the Association of the International Journal of Central Banking. All rights reserved. Brief excerpts may be reproduced or translated provided the source is cited. Consult [www.ijcb.org](http://www.ijcb.org) for further information.

The *International Journal of Central Banking* is published quarterly (ISSN: 1815-4654). Online access to the publication is available free of charge at [www.ijcb.org](http://www.ijcb.org). Individual print subscriptions are available. Orders may be placed by phone (001 216 579 3125), via fax (001 216 579 2886), or by e-mail ([editor@ijcb.org](mailto:editor@ijcb.org)).

Renewals, claims, address changes, and requests for permission to reprint material from this journal should be addressed to:

International Journal of Central Banking  
Executive Office Department  
Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, OH 44101-1387  
USA  
Phone: 001 216 579 3125  
Fax: 001 216 579 2886  
E-mail: [editor@ijcb.org](mailto:editor@ijcb.org)

The views expressed in this journal do not necessarily represent the views of the Association of the International Journal of Central Banking or any of its members.

ISSN: 1815-4654

# International Journal of Central Banking

## Board of Directors

### Chairman

Claudio Borio, *Bank for International Settlements*

### Board Members

- Q. Farooq Akram, *Norges Bank*  
Abdulaziz Al-Furaih, *Saudi Arabian Monetary Agency*  
David E. Altig, *Federal Reserve Bank of Atlanta*  
Carlos Hamilton Vasconcelos Araujo, *Central Bank of Brazil*  
Jan Marc Berk, *The Nederlandsche Bank*  
Mohamed Tahar Bouhouche, *Bank of Algeria*  
Jan Bruha, *Czech National Bank*  
Lillian Cheung, *Hong Kong Monetary Authority*  
Laurent Clerc, *Bank of France*  
Francisco G. Dakila Jr., *Central Bank of the Philippines*  
Mary Daly, *Federal Reserve Bank of San Francisco*  
Piti Disyatat, *Bank of Thailand*  
Michael Dotsey, *Federal Reserve Bank of Philadelphia*  
Gabriel Fagan, *Central Bank of Ireland*  
Jiang Feng, *People's Bank of China*  
Manuel Ramos Francia, *Bank of Mexico*  
Jeffrey C. Fuhrer, *Federal Reserve Bank of Boston*  
Niels Lynggård Hansen, *Danmarks Nationalbank*  
Philipp Hartmann, *European Central Bank*  
Elena Iorga, *National Bank of Romania*  
Seung-Cheol Jeon, *Bank of Korea*  
Juan F. Jimeno, *Bank of Spain*  
George A. Kahn, *Federal Reserve Bank of Kansas City*  
Sujit Kapadia, *Bank of England*  
Ali Hakan Kara, *Central Bank of Turkey*  
Christopher Kent, *Reserve Bank of Australia*  
Evan Koenig, *Federal Reserve Bank of Dallas*  
Thomas Laubach, *Federal Reserve Board*  
Ana Christina Leal, *Bank of Portugal*  
Carlos Lenz, *Swiss National Bank*  
Jesper Lindé, *Sveriges Riksbank*  
Choy Keng Meng, *Monetary Authority of Singapore*  
John McDermott, *Reserve Bank of New Zealand*  
Emanuel Moench, *Deutsche Bundesbank*  
Alberto Naudon, *Central Bank of Chile*  
Edward Offenbacher, *Bank of Israel*  
Fabio Panetta, *Bank of Italy*  
Michael D. Patra, *Reserve Bank of India*  
Thórarinn G. Pétursson, *Central Bank of Iceland*  
Ivan Ribnikar, *Bank of Slovenia*  
Lawrence Schembri, *Bank of Canada*  
Mark Schweitzer, *Federal Reserve Bank of Cleveland*  
Shigenori Shiratsuka, *Bank of Japan*  
Jan Smets, *National Bank of Belgium*  
Daniel Sullivan, *Federal Reserve Bank of Chicago*  
Juha Tarkka, *Bank of Finland*  
George Tavlas, *Bank of Greece*  
Joseph Tracy, *Federal Reserve Bank of New York*  
Dobieslaw Tymoczko, *National Bank of Poland*  
Hernando Vargas Herrera, *Banco de la República*  
Christopher Waller, *Federal Reserve Bank of St. Louis*  
John Weinberg, *Federal Reserve Bank of Richmond*  
Mark Wright, *Federal Reserve Bank of Minneapolis*  
Ksenia Yudaeva, *Central Bank of Russian Federation*

## Editorial Board

### Managing Editor

Loretta Mester

Federal Reserve Bank of Cleveland

### Co-editors

- |  |                                      |   |
|--|--------------------------------------|---|
| Tobias Adrian<br>International Monetary Fund | Elena Carletti<br>Bocconi University | Lucrezia Reichlin<br>London Business School |
| Boragan Aruoba<br>University of Maryland     | Harrison Hong<br>Columbia University | Barbara Rossi<br>Universitat Pompeu Fabra   |
| Pierpaolo Benigno<br>LUISS Guido Carli       | Luc Laeven<br>European Central Bank  |   |

### Associate Editors

- |   |  |   |
|---|--|---|
| Patrick Bolton<br>Columbia University                                   | Jordi Galí<br>Centre de Recerca en Economia Internacional (CREI) | Eli M. Remolona<br>Bank for International Settlements                                 |
| Michael D. Bordo<br>Rutgers University                                  | Marvin Goodfriend<br>Carnegie Mellon University                  | Hélène Rey<br>London Business School  |
| Mark Carey<br>Federal Reserve Board                                     | Michael B. Gordy<br>Federal Reserve Board                        | Jean-Charles Rochet<br>University of Zurich   |
| Pierre Collin-Dufresne<br>Columbia University                           | Luigi Guiso<br>European University Institute                     | Andrew K. Rose<br>University of California, Berkeley                                  |
| Guy Debelle<br>Reserve Bank of Australia                                | Andrew G. Haldane<br>Bank of England                             | Klaus Schmidt-Hebbel<br>Organisation for Economic Co-operation and Development (OECD) |
| Douglas W. Diamond<br>University of Chicago Graduate School of Business | Takatoshi Ito<br>Columbia University                             | Lars E.O. Svensson<br>Stockholm School of Economics                                   |
| Francis Diebold<br>University of Pennsylvania                           | David Lando<br>Copenhagen Business School                        | Jürgen von Hagen<br>University of Bonn  |
| Michael Dotsey<br>Federal Reserve Bank of Philadelphia                  | Philip Lane<br>Trinity College Dublin                            | Ernst-Ludwig von Thadden<br>University of Mannheim                                    |
| Darrell Duffie<br>Stanford University                                   | Francesco Lippi<br>University of Sassari                         | Tsutomu Watanabe<br>University of Tokyo   |
|   | Carmen M. Reinhart<br>Harvard Kennedy School                     |   |

## Advisory Board

- |  |   |   |
|--|---|---|
| Franklin Allen<br>The Wharton School of the University of Pennsylvania | Hyun Shin<br>Bank for International Settlements | Carl E. Walsh<br>University of California |
| Charles Goodhart<br>London School of Economics                         | Kazuo Ueda<br>University of Tokyo               | Michael Woodford<br>Columbia University   |
|  |   | John Taylor<br>Stanford University        |