Was Keynes’s Monetary Policy, à outrance in the Treatise, the Model for ZIRP and QE?

Jan Kregel
Levy Economics Institute

Summary

While Keynes can be considered the true father of the “unorthodox” monetary policies introduced by the Bank of Japan and the Federal Reserve, these policies also provide the test of their efficacy that Keynes called for. They suggest that Keynes’s Treatise optimism was misplaced, and that his more nuanced, skeptical, position in the General Theory was more appropriate; in particular, his emphasis on the need to provide an external source of demand through government expenditure.

JEL: B22, B31, E52, E58, E62.

Keywords: fiscal policy, Keynes, monetary policy, quantitative easing, zero interest rate.