

The ECB Negative Interest Rate Policy

We live in interesting financial times. That ancient Chinese curse seems appropriate today. Frankly, nobody knows whether the ECB's new policy will work or not. If the real problem is a lack of demand for quality loans, then paying 0.10% per year to avoid riskier loans may seem like a pretty good deal. The ECB is implicitly assuming the problem is lack of loan supply. I'm skeptical of this – not just in the Eurozone, but in the U.S. as well.