Streszczenie w języku angielskim

The Impact of European Central Bank Monetary Policy on Income Inequality in Selected Euro Area Countries

In response to the effects of the global financial crisis, monetary policy underwent another change at the beginning of the twenty-first century. Monetary authorities began to make broad use of so-called unconventional instruments, in particular the asset purchase program. Along with this change, interest grew in the question of whether monetary policy remains distributionally neutral. This problem has a particular dimension in the euro area, where the common policy of the European Central Bank affects economies characterized by a differentiated structure of household incomes and balance sheets, as well as by different models of the labor market or pension system. The main objective of the dissertation was an empirical analysis of the impact of ECB monetary policy on inequality in income before social transfers, while including pensions, as measured by the Gini coefficient.

The study was based on a critical analysis of the subject literature and a quantitative analysis based on data for eight euro area economies: Austria, Belgium, Finland, France, Spain, the Netherlands, Germany and Italy, which account for approximately 90% of the GDP of the monetary union. Due to the availability of data on income inequality in official databases exclusively at annual frequency, in the first stage a temporal disaggregation procedure was applied, which made it possible to construct quarterly series of the Gini coefficient. Next, common ECB monetary policy impulses were identified using a structural vector autoregression model with sign restrictions. In the full sample, a restrictive shadow rate shock was identified, while in the shorter sample a separate quantitative easing shock was identified. In the final stage, the responses of income inequality were estimated using the local projections method for each country separately and were then aggregated using the Mean Group estimator. The interpretation of the results was supplemented with data from the European household survey Household Finance and Consumption Survey.

The obtained results indicate that ECB monetary policy was on average not distributionally neutral in the short and medium term. In the case of a restrictive SSR shock,

the average response of the Gini coefficient was positive, which means a temporary increase in market income inequality. The strongest average response appeared in the first quarter after the shock and amounted to +0.072 Gini points. In the case of the QE shock, the average response was negative, and the strongest decline appeared in the sixth quarter and amounted to -0.113 Gini points. This means that expansionary quantitative easing was on average associated with a temporary decline in income inequality. In both cases, however, country responses were clearly differentiated in terms of sign and magnitude. The resulting profile of findings suggests greater support for an interpretation emphasizing the importance of channels related to the labor market rather than asset prices. The findings suggest that the effects of monetary policy in a monetary union in the short and medium horizon have concrete distributional consequences, rather than being limited only to inflation, output or unemployment. For this reason, the burden of mitigating the short-term distributional effects of common monetary policy rests primarily on national policy, on labor market institutions and tax-transfer mechanisms.

The dissertation confirms that the distributional effects of ECB monetary policy are real, although within the analyzed horizon they indicated a temporary character. A restrictive monetary impulse was on average associated with an increase in income inequality, whereas the QE impulse was associated with its temporary decline. The most important result of the study, however, remains the confirmation of strong heterogeneity of responses across countries. This means that the "one size fits all" problem in a monetary union may also have a distributional dimension. The contribution of the dissertation lies in combining, within a single empirical strategy, the quarterly conversion of inequality data, the identification of a common monetary policy impulse at the euro area level, and the estimation of differentiated country responses. The results should be interpreted with caution, because the quarterly Gini series were obtained through disaggregation, and the comparison between SSR and QE shocks is primarily qualitative in nature.

Keywords: *monetary policy, European Central Bank, income inequality, quantitative easing, euro area, SVAR, local projections*