

Growth Prospects, the Natural Interest Rate, and Monetary Policy

Referee Report

The paper consists of three parts: a rather shallow empirical discussion of long-run trends in GDP growth and potential GDP growth, a short literature review of recent studies on the natural rate of interest, and an attempt to draw conclusions for monetary policy. The paper is very well written, provides a good overview of the different topics and presents them in a very accessible way. However, it provides neither new insights nor new conclusions. Even the policy discussion only repeats very common arguments without adding much in terms of assessing the different arguments.

Addressing the following points may make the paper more interesting but will not change its synoptic nature:

- The discussion of nonconventional monetary policy tools is too superficial. The paper should broaden the definition of unconventional monetary policy tools and include more of those not tried yet but proposed in the literature.
- The discussion about the “increasing evidence that monetary policy can have negative side-effects” needs to be deepened. First, don’t we know that for a long time? Second, do the findings of Cetto et al. (2016) really support the arguments that “expansionary monetary policy can contribute to the misallocation of resources”? Third, even if firms did not use the additional funding for investment and job creation, may it not have prevented a further decline of economic activity (and loss of jobs)?
- Why has the investment share been declining in Japan, Germany, and the UK but not in the US and France (Figure 4)?
- Why does Robert Gordon (2014) argue that digitization does not have the potential to raise productivity in a similar way that the industrial revolution did in the first half of the 20th century?
- New global forecasts from the IMF (World Economic Outlook) and the World Bank (Global Economic Prospects) support many points made in the paragraph on the outlook for potential output growth and could be cited.
- Given how accessible the rest of the paper is, you shouldn’t use the abbreviation OMT without explaining it.