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1) *In the Corona crisis, central banks bought government bonds on a previously unimaginable scale, partly in order to keep the refinancing costs of governments low - despite the sharp rise in debt. Has this finally crossed the border to monetary financing?*

It is hard to tell. In buying government bonds, monetary authorities could have been trying to stimulate spending, or preserve liquidity in sovereign markets, or hold down government borrowing costs, or ensure governments didn't run out of cash. Those are different purposes. The initial purchases were too big for a conventional market maker of last resort operation. And they were launched when much of the economy was being shut down, so the timing didn't make sense as standard macroeconomic Quantitative Easing, even though it will later on. So we are a bit in the dark.

2) *The Central Bank of Central Banks BIS warns urgently against demands for monetary financing and against the risk of "fiscal dominance" for the credibility and independence of central banks worldwide. Is this concern exaggerated?*

Cooperation with fiscal authorities can be essential in emergencies. When the economy was closing down, it was vital for governments to get cash to households and firms, and keep open core financial markets. But the monetary contributions should be voluntary (unless independence is openly suspended by law). Hence the worry with the explanations given for some operations. If they are acting independently, they should just explain the purpose of their various actions. As the economy reopens, some of their assistance, e.g. to corporate bond issuers, can be unwound, replaced by targeted fiscal measures.

3) *The separation of monetary and fiscal policy and the independence of central banks has always been justified by the need to prevent too high or excessive inflation. But now, in many places, inflation has long been well below the central banks' targets. So is it time to end the separation?*

No. The best argument for independence is that the elected executive should not control the monetary levers, as printing money is latently an instrument of taxation, bypassing the prerogatives of the elected assembly. That's still true: governments always seek popularity to get re-elected. So separation still matters. But, as *Unelected Power* argues, central banks must be properly constrained.

4) *Why is inflation not picking up despite the unprecedented flood of money in recent years? Is inflation "dead" and is the real danger now deflation, a downward spiral of falling prices and declining growth?*

They must avoid deflation while not reigniting inflation: not easy. No one knows for sure why inflation has been low. Changes in the world economy have put downwards pressure on costs, and so prices. That won't go on forever. Inflation has not been far below target by the way, which is an achievement given the headwinds.

5) *The Bank of Japan has for some time been pursuing a monetary policy strategy in which it controls the yield curve by means of purchases - something that is now also being increasingly discussed in the US and Europe. What do you think about this instrument?*

Risky: what happens when central bankers want to stop but politicians insist they continue? The US had a hell of fight over that around 1950, with president Truman accusing the Fed of treason when it wanted to stop holding down government borrowing costs given the monetary overhang. On Japan, it might have done better formally to suspend the Bank's independence, making clear the politicians are in charge. That would probably have reignited inflation, although perhaps more than they want.

6) *In the Corona crisis, there has also been an increase in calls for so-called "helicopter money", i.e. monetary gifts from the central bank to citizens. What is your assessment of this?*

Helicopter money is a fiscal measure financed by the central bank. Politicians have to decide who gets how much money. Ben Bernanke has suggested the central bank could control the total amount to be distributed. Maybe, but that risks drifting into backdoor political control: what happens when the central bank wants to stop or even reverse course?

7) *Former IMF chief economist Olivier Blanchard and others are calling for a rethink of the benefits and costs of government debt in view of persistently low interest rates. Now it seems that the zero and partly negative interest rates in the most important currency areas have been cemented for years. So is government debt now a kind of "free lunch"?*

Many governments should lengthen the maturity of their debt, to lock in low rates. But as debt increases, its sustainability becomes more sensitive to small changes in borrowing costs. There are still limits to how much debt a country can repay without resorting to the inflation tax. The borrowed resources need to be used to improve productive capacity and efficiency, and help people adjust and retrain.

8) *Some experts fear a new financial crisis on the horizon because of the sharp rise in global debt. Are such fears exaggerated?*

No, so banks had better be resilient given prospective defaults. Europe suspending bank dividends was good common sense. Twice in a decade the West has faced a crisis with too much debt, and the only feasible responses have been to induce more private debt (via monetary policy) and incur more public debt. Our underlying macroeconomic crises are persistently weak productivity growth, and inadequate resilience (recently in key medical supplies). For the euro area, there is also the fragility inherent in an incomplete monetary union: the solution lies in political will.