Mario Draghi throws the kitchen sink at Europe's economic distress. Again.

By Neil Irwin
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One hopes that at the very least, Mario Draghi, the president of the European Central Bank, is able to buy kitchen sinks in bulk at a discount from some plumbing supply shop in Frankfurt.

Because on Thursday, for the umpteenth time in his five years in that job, he has thrown his and everything else at Europe's continuing economic malaise. This time, the E.C.B. managed a quadruple whammy: cutting its short-term interest rates even further below zero; pumping more money into the eurozone economy through quantitative easing — by 20 billion euros a month (with purchases currently planned to continue through March 2017); expanding the Q.E. program to include corporate bonds to make more credit available to businesses; and encouraging more borrowing by creating a new bank lending program.

This would seem on its face to be a really aggressive intervention to try to jolt Europe out of its deflationary muddle. Indeed, when it was initially announced, the euro fell 1.1 percent against the dollar, bond yields fell and European stocks rose, all suggesting that financial types saw it that way. But as Mr. Draghi began addressing the news media Thursday morning about the actions, he played down the likelihood of further rate cuts, and those market shifts reversed.

It was Mr. Draghi's answer to the pessimism that has taken over global financial markets in the last few months, a malaise rooted in part by a sense of the impotence of global central banks. For years, new rounds of Q.E. and other moves have been the inevitable response to periods of market tumult and economic weakness. Now markets fear that the central banks just have nothing left to combat global deflationary forces that have seemed more powerful with every tick down in the price of oil.

Not so, according to Mr. Draghi. "I think the best answer to this has been given by our decisions today," he said in his news conference after the policy announcement. "We have shown that we are not short of ammunition."

That is, to be cynical, exactly what you would expect someone who is out of ammunition — but doesn't want you to know it — to say. However, people with less of a vested interest have made similar arguments. Joseph Gagnon of the Peterson Institute for International Economics argued in a briefing this week that Europe and Japan especially have plenty of room for more quantitative easing, which he argues would help them get to the 2 percent inflation levels they seek.

They may be right, of course; the last seven years have upended what we thought we knew about how central banks can and should operate. If you told some time travelers who'd just arrived from 2007 that the E.C.B. had an official bank lending rate of negative 0.4 percent and was buying 80 billion euros of bonds each month, you would blow their minds.

But monetary policy works through different channels, and their relative importance shifts with time. For years, Q.E. seemed to have its greatest impact by pumping up prices of stocks and other financial assets. That both made consumers wealthier and lowered the cost of capital for businesses, helping restore confidence and encourage economic activity.

That has worked well enough that global financial assets look relatively richly priced relative to historical fundamentals, despite some recent turbulence. It’s not clear that asset prices are as powerful a channel for central bank activism to stimulate the economy as they were in earlier years when they were undervalued. It is also not clear if further large increases in financial markets’ values would provide anything other than an unwelcome bubble.

That being the case, attention has shifted in the last year or so toward currencies. With good reason: When a central bank eases monetary policy, the price of its currency tends to decline relative to others, encouraging inflation and giving an advantage to domestic exporters.

But this has problems of its own, including being more of a zero-sum game than other channels. (It’s not totally zero sum, though, as the former Federal Reserve chairman Ben Bernanke argued this year.)

Finally, to the degree the remaining tools for central bank easing are pushing into negative interest rates, there is a risk of destabilizing the global financial system, which would be counterproductive.

Negative rates like those in place in Europe may encourage more lending and economic activity, but if they go deeper into negative territory and persist for a long time, they could also cause people to withdraw money from banks and throw the business models of banks into chaos. Going too far into negative rates would be essentially telling banks: We want you to make loans and expand credit, but we’re also taking policy action that could obliterate your business.

In other words, Mr. Draghi may still be able to procure a few more kitchen sinks to throw at Europe’s economic problems. But each additional one may start to get a little more expensive, and a lot harder to throw.