

Index

- Accountability of the European Central Bank, 108–12
- Acquis communautaire*, 170, 180
- Asset price inflation, 74–78

- Balassa-Samuelson effect, 42–43, 153–58, 201–205, 226
- Blinder’s survey on credibility, 112–17
- Boskin Report, 40
- Business cycles
 - differences and inflation, 158–60
 - implications of enlargement of the monetary union, 192–201
 - synchronization, 137–48, 192–201, 226–27
 - trade relationships and, 188–89

- Central bank governor turnover rate, 172–76
- Central bank independence (CBI), 170–77
- Code of Good Practices on Transparency in Monetary and Financial Policies of the IMF, 3–4
- Consumer spending
 - asset price inflation and, 74–77
 - patterns, 149–50
- Convergence criteria, 177–79
- Credibility
 - Blinder’s survey on, 112–17
 - of European Central Bank, 117–23
- Currency boards, 180–83

- Decentralization
 - diverging business cycles and, 137–48
 - risks of, 130–37
 - structure of the European Central Bank, 5–8, 125–28

- Decision making by the European Central Bank, 133–35
- Deflationary policy, 39–47
- Delors, Jacques, 2
- Delors Committee, 2
- Demand
 - money, 56
 - shocks, 196–98
- Dependence on trade, 150
- Deposit facility, 15
- Disclosure
 - accountability and, 108–12
 - economic, 86, 89–90
 - effects of, 92–94
 - operational, 91–92, 98–99, 102–103, 105
 - policy, 86, 91
 - political, 85, 87–89, 94, 96–97
 - procedural, 86, 90–91, 97–98
 - various facets of, 85–87

- Economic and Monetary Union (EMU), the, start of, 1–2
- Economic disclosure, 86, 89–90
- Economist, The*, 5
- EONIA (Euro Over-Night Index Average), 15
- Euro, the
 - and dollar exchange rate, 58–63, 104
 - exchange rate pass-through (ERPT), 59–63
 - external value of, 57–74
 - interventions in exchange rates of, 63–74
- Over-Night Index Average (EONIA), 15
- trade enhancing effect of, 189

- European Central Bank (ECB). *See also* Monetary policy, European Central Bank
- accountability of, 108–12
 - centralization of, 215–16
 - credibility of, 117–23
 - decentralized structure of, 5–8
 - decision making by, 133–35
 - Executive Board, 11
 - favorable assessment of, 225
 - General Council of, 11
 - Governing Council, 3, 5, 9, 10–11, 13–14, 18, 56–57, 213–14
 - inflation targeting by, 225–26
 - interest decisions by, 16–19
 - Lombard facility, 15
 - marginal lending facility, 15
 - minimum reserve system, 16
 - money market, 15
 - M3, 12–18, 47–56
 - new EU members and, 6–7
 - newspaper reports on, 106–107
 - political independence of, 9, 221–22
 - political weight of members of, 213–14
 - reform options, 215–23
 - research output of, 129
 - standing facilities, 15
 - start of, 1–2
 - structure of, 10–11
 - transparency of, 3–5
- European Forecasting Network, 193–94
- European Monetary Institute, 56, 137
- European Union, new members of the, 6–7, 169–70
- business cycle synchronization by, 192–201
 - central bank independence and, 170–77
 - currency boards and, 180–83
 - implications of, 192–209
 - inflation among, 201–205
 - Maastricht criteria for, 177, 179–83
 - monetary transmission and financial structure in, 205–209
 - optimal currency area theory and, 183–92
 - quick entry for, 226
- Exchange market interventions, 18, 63–74
- Exchange rate
- optimal currency area theory and, 183–92
 - pass-through (ERPT), 59–63
 - as source of shocks, 190
- Exchange Rate Mechanism (ERM), 2, 6, 178–79
- Executive Board of the European Central Bank, 11
- Expectations, financial market, 32–36
- Federal Reserve Bank, US, 5, 94, 96, 122, 126, 130
- Financial market indicators, 13
- expectations according to newspaper reports, 32–36
- Financial Times, The*, 106–107
- First pillar of monetary policy strategy, 12–13, 47–56
- Forecasts, inflation, 56–57
- Forward rates, analysis of, 28–32
- General Council of the European Central Bank, 11
- Governing Council, European Central Bank, 3, 5, 9, 10–11, 13–14
- and Boskin Report, 40–41
 - decentralization and, 126, 128, 131–32
 - decisions on interest rates, 18–19
 - evaluation of monetary policy strategy by, 21–25
 - inflation forecasts by, 56–57
 - options for reform of, 215–17
 - reforms proposed by, 219–22
 - rotation, 219–20
 - structure of, 213–14
 - voting structure reform of, 217–19
- Greenspan, Alan, 40, 43
- Harmonized Index of Consumer Prices (HICP), 2–3, 11–12, 13, 204
- euro-dollar exchange rate and, 58–59
 - price index and, 37–39
- Inflation, 12, 13–14
- asset price, 74–77
 - Balassa-Samuelson effect on, 42–43, 153–58, 201–205, 226
 - below 2 percent, 39–47
 - central bank independence and, 173
 - differentials in the euro area, 148–60
 - forecasts, 56–57
 - measurement bias in, 40–41
 - monetary policy effect on, 163–67
 - money growth and, 54–55
 - new EU members and, 201–205
 - objective of price stability policy, 36–47

- Policy Target Agreement (PTA) and, 109
 - price index calculation of, 37–39
 - price level convergence and, 151–53
 - targeting, 225–26
 - temporary differentials in, 42–43
 - transparency and, 88–89, 93–94
 - wages and unemployment and, 44–47
- Integration
 - financial, 146–47
 - monetary, 144–45, 226–27
- Interest rates
 - forward rates and, 28–32
 - monetary policy and, 16–21
 - stepping versus smoothing, 78–80
- Interregional migration, 188
- Interventions, euro-dollar exchange rate, 63–74
- Issing, Otmar, 4, 21–22

- Labor market indicators, 13
- Lafontaine, Oskar, 16
- Lombard facility, 15

- Maastricht Treaty, 2, 5, 9, 11, 169, 177, 179–83
- Marginal lending facility, 15
- Measurement bias, 40–41
- Minimum reserve system, 16
- Monetary policy, European Central Bank.
 - See also* European Central Bank (ECB)
 - criticism of, 27
 - diverging business cycles and, 137–48, 226–27
 - effects on output and inflation, 163–67
 - evaluation of, 21–25
 - exchange rate pass-through (ERPT) and, 59–63
 - expectations according to newspaper reports, 32–36
 - interest rates and, 16–21
 - money demand and, 56
 - money growth pillar in, 12–13, 47–56
 - pass-through of, 161–63
 - predictability of, 27–36
 - responsibilities, 2–8
 - strategy, 11–16
 - transmission and financial structure, differences in, 160–65, 205–209
 - two pillars of, 12–14, 47–56, 57
- Money growth, 12–13, 47–56
- M3, 12–13, 47–56

- Newspaper reports, 32–36, 106–107

- Open market operations, 15–16
- Operational disclosure, 86–87, 91–92, 98–99, 102–103, 105
- Optimal currency area theory,
 - endogeneity of OCA criteria, 183–92
- Output, monetary policy effects on, 163–67

- Pass-through of monetary policy
 - decisions, 161–63
- Pillars of monetary policy, 12–14, 47–56, 57
- Policy disclosure, 86, 91
- Policy Target Agreement (PTA), 109
- Political disclosure, 85, 86, 87–89, 94, 96–97
- Political independence of the European Central Bank, 9, 221–22
- Predictability of ECB policy decisions, 27–36
- Price
 - Balassa-Samuelson effect and, 153–58
 - index, 37–39
 - level convergence, 151–53
 - stability, 2–3, 11–12, 13–14, 19
 - inflation objective of, 36–47
- Procedural disclosure, 86, 90–91, 97–98

- Refinancing operations, 15–16
- Reform of European Central Bank
 - to increase centralization, 215–17
 - options for, 215–19
 - political independence and, 221–22
 - 2002 proposal for, 220–23
 - to reduce overrepresentation of some members, 213–14
 - rotation, 218–19
 - voting, 217–18
- Research output of European Central Banks, 129
- Risks of decentralization, 130–37
- Rotation, European Central Bank
 - Governing Board, 218–19

- Second pillar of monetary policy strategy, 13–14
- Shocks, demand and supply, 196–98
- Specialization and business cycle
 - synchronization, 144
- Standing facilities, monetary policy, 15

- Stepping versus smoothing, interest rate, 78–80
- Structure of the European Central Bank, 10–11
- Supply shocks, 196–98
- Synchronization, business cycle, 138–48, 192–201, 226–27

- Taylor rule, 44
- Transmission, monetary policy, 160–65, 205–209
- Transparency of the European Central Bank, 3–5
 - definition of, 83
 - effects of disclosure on, 92–94
 - importance of, 83–85
 - objectives and indexes of, 94–107
 - various facets of disclosure and, 85–94
- Treaty on European Union (TEU), 109
- Two-pillar strategy of the European Central Bank, 12–14, 24

- Vector autoregressions (VARs), 205–207

- Wages
 - effect of inflation on, 44–47
 - flexibility in new EU member countries, 185–86
- World Economic Survey*, 117

- Zero bound, 43–44