Introduction: The problem and an overview

Chapter I: Selecting the countries to join European monetary union

From the Werner plan to Maastricht Convergence criteria Convergence examination Summary

Quiz

Bibliography

Chapter II: The Eurosystem, the body responsible for monetary policy

1 The Eurosystem as an institution

1.1 Its structure and decision-making process
1.2 Its main task and position
1.3 Other tasks
1.4 Summary

Quiz

Bibliography

2 Monetary policy strategies and European monetary union

2.1 Requirements of a strategy
2.2 Strategies with explicit intermediate targets
2.2.1 Exchange-rate targets
2.2.2 Interest rates as an intermediate target of monetary policy
2.2.2.1 Interest rate levels
2.2.2.2 Interest rate structure
2.2.3 Nominal GDP
2.2.4 Monetary targets - the Deutsche Bundesbank model
2.2.4.1 General description
2.2.4.2 Determinants of the monetary target
2.2.4.3 Further advantages of a monetary targeting strategy
2.3 Direct inflation targeting - a new concept
2.3.1 The one-step strategy
2.3.2 Advantages and disadvantages of direct inflation targeting
2.3.3 The central bank's inflation forecast
2.4 A multi-indicator approach
2.5 Monetary policy strategy and the Eurosystem

2.6 Summary

Quiz

Bibliography

3 Monetary policy instruments

3.1 Minimum reserve policy
3.2 Monetary policy operations
3.2.1 Open-market transactions
3.2.1.1 Types
3.2.1.2 Methods
3.2.1.2.1 Tender procedures: standard tenders versus quick tenders
3.2.1.2.2. Types of allocation for tenders: variable-rate tenders versus fixed-rate tenders
3.2.2 Standing facilities
3.2.2.1 Marginal refinancing facility
3.2.2.2 Deposit facility
3.2.3 Eligible assets
3.3 Summary

Quiz

Bibliography

4 The money market as a field of operation

4.1 The regulatory money market versus the interbank money market
4.2 Overnight interest rate as an operative intermediate target
4.3 How interest rates are formed
4.3.1 What is the key interest rate in the overnight money market?
4.3.2 Interest-rate margin
4.4 Changes in central bank interest rates and monetary growth
4.5 Summary

Quiz

Bibliography

5 The monetary transmission process
5.1 Monetary transmission channels
5.1.1 Interdependence of interest rates (interest-rate structure)
5.1.2 Interest-rate channel and exchange-rate channel
5.1.2.1 Substitution effects
5.1.2.2 Income and wealth effects
5.1.2.3 Liquidity effects
5.1.2.4 Exchange-rate effects
5.1.3 Credit channel
5.1.3.1 Bank lending channel
5.1.3.2 Balance sheet channel
5.1.4 The significance of expectations
5.2 Transmission problems in European monetary union
5.2.1 Different financing structures
5.2.2 Structural differences in the real sector
5.2.3 The credibility of the Eurosystem and the role of expectations
5.3 Summary

Quiz

Bibliography

Chapter III: Potential disruptions to monetary policy

1 Fiscal policy

1.1 Underlying relationships between monetary policy and fiscal policy
1.1.1 Government debt and inflation
1.1.2 Maturity of indebtedness
1.1.3 Currency makeup of public-sector debt
1.1.4 Problems of co-ordination between monetary and fiscal policy
1.2 The Stability and Growth Pact
1.2.1 The starting position
1.2.2 The provisions of the Stability and Growth Pact
1.2.3 The dual fiscal policy criteria and the Eurosystem’s monetary policy
1.3 Summary

Quiz

Bibliography

2 Wage policy
2.1 Scope for wage rises provided by EMU
2.2 Increased demand on wage bargainers to be flexible
2.3 Wage policy discipline or increased pressure on the Eurosystem?
2.4 Summary

Quiz

Bibliography

3. Exchange-rate policy

3.1 Foreign exchange market and exchange-rate regime
3.2 Exchange rate target zones
3.3 ERM II (Exchange Rate Mechanism II)
3.4 Summary

Quiz

Bibliography

Answers to quiz questions on Chapter I:

Answers to quiz questions on Chapter II.1
Answers to quiz questions on Chapter II.2
Answers to quiz questions on Chapter II.3
Answers to quiz questions on Chapter II.4
Answers to quiz questions on Chapter II.5
Answers to quiz questions on Chapter III.1
Answers to quiz questions on Chapter III.2
Answers to quiz questions on Chapter III.3

Index