

Chapter 7: Questions

1. Why is it that the Bundesbank became the role model for the ECB?
2. There is a difference between “instrument conservatism” and “target conservatism” in central banking. Can you explain the difference?
3. The Rogoff idea of appointing a conservative central banker solves one problem but creates a new one. Explain.
4. The Central Bank Governors in the Governing Council each have one vote, despite large differences in country size. Why did the drafters of the statutes of the ECB not choose for a qualified voting system, as is the case in the Council of Ministers.
5. How can the Taylor rule be used to measure the degree of convergence (or divergence) in the interest rates that are desired by the Governors of the national central banks?
6. Discuss the different options in the future reform of the decision making process in the Governing Council of the ECB.

Chapter 8: Questions

1. Why is it that despite the privileged role the ECB gives to the growth rate of money, this variable has been disregarded most of the time by the ECB?
2. Is inflation always and everywhere a monetary phenomenon?
3. Why is the ECB criticized for setting an inflation target between 0% and 2%? Do you agree with this criticism?
4. What is the difference between explicit inflation targeting and the ECB’s “two-pillar strategy”? Could explicit inflation targeting be a good alternative for the two-pillar strategy of the ECB?