### OBJECTIVES:

**Motivation:** The European Central Bank is responsible for the conduct of monetary policy in the euro area. While the aim of monetary policy is to maintain price stability, policy operations have a great impact on the economy. Understanding the effects of monetary policy is a prerequisite for analyzing relevant interrelationships in financial markets.

**Objectives:** Students should obtain a basic understanding of the manner monetary policy is operated by the European Central Bank.

**Acquired Competencies:** Ability to discuss monetary policy decisions by the European Central Bank.

### CONTENT:

**Applied Methods:** Lecture, Beamer presentation, discussion

**Content**

1. The ECB and the economic structure of the euro area
   - 1. Institutional framework of the European System of Central Banks
   - 2. Economic structure of the euro area
II. Targets of monetary policy, price stability and monetary aggregates

1. Targets of monetary policy
2. Price stability: Why is it important?
3. Monetary aggregates

III. Theoretical framework

1. Preliminary remarks
2. The process of money supply
3. The demand for money
4. Monetary policy transmission

IV. The monetary policy strategy of the Eurosystem

1. General principles of a monetary policy strategy
2. Basic monetary policy strategies
3. Design of the ECB’s monetary policy strategy

V. The money market management of the ECB

1. Preliminary remarks
2. Open market operations
3. Standing facilities
4. Minimum reserve system
5. Overnight interest rate control

RECOMMENDED LITERATURE:

Peter Bofinger, Monetary Policy: Goals, Institutions, Strategies and Instruments, Oxford University Press, 2001
