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## PRESS RELEASE

### ECB PUBLISHES THE PROCEEDINGS OF THE SIXTH ECB CENTRAL BANKING CONFERENCE

The European Central Bank (ECB) is today publishing the proceedings of the Sixth ECB Central Banking Conference, entitled “Approaches to monetary policy revisited – lessons from the crisis”, which was held on 18 and 19 November 2010. This volume contains a collection of papers, commentaries and speeches that review the strategic and operational decisions that central banks had taken to combat the crisis and that reflect on the lessons for the future.

The contributions are grouped around five broad topics: monetary policy strategy, lessons from historical experiences, challenges for macroeconomic and finance theory, the international dimension of the crisis, and operational frameworks for monetary policy.

The papers by Stephan Fahr, Roberto Motto, Massimo Rostagno, Frank Smets and Oreste Tristani and by Frederic Mishkin, as well as the comments by Guido Tabellini and William White discuss strategic questions. What is and what should be the role of money, credit and other financial indicators in monetary policy frameworks? What is the appropriate horizon for the inflation target? Should central banks manage risk and act pre-emptively? Should they lean against asset price bubbles? The speeches by Jean-Claude Trichet and Jürgen Stark provide a policy-maker’s perspective with regard to the strategy of the ECB.

The second group of contributions, by Marc Flandreau, Carl-Ludwig Holtfrerich and Harold James, compares the current crisis with the 19th century banking crises and the Great Depression, drawing analogies and highlighting contrasts. The comment by Lorenzo Bini Smaghi contrasts some of their conclusions with recent data.

The third group of contributions focuses on the following question: “what shortcomings in macroeconomic and finance theory has the crisis revealed, and how should they be addressed?” Jean-Philippe Bouchaud criticises economic models of asset prices and advocates the use of physics-based models of complex systems for modelling financial markets. Martin Eichenbaum responds to the post-crisis criticism of macroeconomic theory. John Geanakoplos argues that the analysis of leverage cycles should be a central element of macroeconomics and finance.

The international dimension of the crisis is covered by the policy panel with contributions from Ben Bernanke, Henrique Meirelles, Dominique Strauss-Kahn and President Trichet – and is also reflected in Ben Bernanke’s keynote speech. Global imbalances endangering the current recovery are the common theme. Bernanke rejects the view that the United States can tackle its current account deficit on its own and links the imbalances with sustained foreign exchange interventions in some emerging market economies.

The fifth group of contributions concentrates on monetary policy operations. In their paper, Nuno Cassola, Alain Durré and Cornelia Holthausen model the central bank’s trade-off between providing liquidity and sustaining private intermediation in the money market. The paper by Spence Hilton and James McAndrews explains the institutional and balance sheet constraints on the Federal Reserve System’s response to the crisis. The comments by Marvin Goodfriend and Rafael Repullo, among others, classify central bank operations into two groups, namely “monetary policy” and “credit policy”, and point out the fiscal implications of the latter.

Printed copies of this publication can be obtained free of charge from the ECB’s Press and Information Division. An electronic version is available on the ECB’s website.

**European Central Bank:**

Directorate Communications, Press and Information Division

Kaiserstrasse 29, D-60311 Frankfurt am Main

Tel.: +49 69 1344 7455, Fax: +49 69 1344 7404

Internet: <http://www.ecb.europa.eu>

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