Enhancing the Monetary Analysis

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Historical relation between trends in money growth and inflation (annual percentage changes)

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Introduction of inflation targeting
Classical Gold Standard | Bretton Woods
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Gold Standard| World War I (WWI) | World War II (WWII)
M2 growth| CPI inflation
---|---|---
1850-2004: Norway
1863-2006: Australia
1871-2005: United Kingdom
1875Q2-2006Q3: United States

Collapse of Classical Gold Standard
Bretton Woods
---|---|---
M3 growth| RPI inflation
---|---|---
1850-2004: United Kingdom
1875Q2-2006Q3: United States

Classical Gold Standard
Bretton Woods
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M2 growth| BNP deflator inflation
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1850-2004: United Kingdom
1875Q2-2006Q3: United States

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Great Inflation
After the Volcker stabilisation
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Trend money growth and trend inflation in the euro area (annual percentage changes)

Four avenues for enhancing monetary analysis

• Improving and broadening money demand models.

• Enhancing transparency, clarity and robustness of summary indicators from broad monetary analysis concerning risks to price stability.

• Active role for money and credit in structural general equilibrium models.

• Further deepening of the framework for cross-checking.