Asset Prices and Monetary Policy

Four Views

Mark Gertler

New York Unversity, New York

Marvin Goodfriend

Federal Reserve Bank of Richmond, Richmond

Otmar Issing

European Central Bank, Frankfurt

Luigi Spaventa

Università degli Studi di Roma 'La Sapienza', Rome, and CEPR



Bank for International Settlements



Contents

	Forewora	page viii
	Introduction	X
ĵ	Mark Gertler	1
	1.1 Asset prices and financial stability	1
	1.1.1 The financial propagation mechanism	2
	1.1.2 The economic environment and the role of	
	monetary policy	3
	1.1.3 Open versus closed economies	5
	1.2 The design of monetary policy	6
	1.2.1 Maintaining good fundamentals	6
	1.2.2 How monetary policy should respond to asset	<u> </u>
	prices	7
	Notes	8
	References	8
2	Marvin Goodfriend	10
	2.1 Deflation	11
	2.2 Foreign exchange operations	12
	2.3 Bond rate behaviour as an indicator of price stability	7 14
	2.4 The policy in the pipeline problem	15
	2.5 Equity prices	17
3	Otmar Issing	20
4	Luigi Spaventa	23
	References	27