Building an institutional framework for monetary stability: the case of Italy (1979-1994)

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Abstract

Italy's monetary regime has experienced significant developments from 1979 to 1994. The independence of the central bank from the government was strengthened by several reforms. The period under review is characterised by monetary policy consistent with the Italian government's inflation targets following the abandonment of the European Exchange Rate Mechanism in Sep. 1992. Factors leading to the replacement of one type of institutional arrangement by another and the effects on monetary policy performance are examined. The steps followed and the problems encountered in implementing a system which would ensure monetary stability are also presented.

JEL Codes: E52, E58

Keywords

Central bank independence, Italian monetary policy, Inflation

Full Text:

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References

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Passacantando, Franco. 1996. “Building an Institutional Framework for Monetary Stability: The Case of Italy (1979–1994).” BNL Quarterly Review 49 (196) March: 83–132. Economic Bulletin, no. 28, Rome (February). In the Japanese case, monetary authorities did not directly intervene in the market from 2005 to August 2010. They conducted actual interventions only five times between 2010 and 2012, though Japan has been noted for ongoing oral intervention in recent years. Revisions in most cases place price stability as the primary objective of monetary policy; indeed having the opportunity to specify that requirement in legislation was one of the main reasons for its enactment in the first place. This emphasis on price stability contrasts with earlier practice. Only in a few cases such as the Bundesbank (and the Swiss National Bank) was such legislative emphasis previously placed on price stability. For example, in the case of the Bank of England, the Act did not mention what its economic objectives should be at all, a lacuna which Governor Towers at the time pointed out.

might represent a weakness for the Bank in arguing policy issues with the. Government, as turned out to be the case (Florde, 1992). . the framework of the Government's overall economic policy. The European Monetary Institute (EMI) is the chief institutional innovation of the second stage of Economic and Monetary Union (EMU) which began on 1 January 1994. T his article is concerned with what the Maastricht Treaty says about the role of the EMI. It examines the EMI's mandate, the part it will play in co-ordinating the work of the national central banks, its responsibilities for preparing for Stage 3 of EMU and its other advisory and operational functions. Promoting monetary and financial stability. Like the Committee of Governors, the EMI will provide an institutional framework for central bank co-ordination. The primary goal of such co-ordination is price stability. But the stability of the European financial system also falls. 51. J Bank of England Quarterly: February 1 Y 1994. Italy's monetary regime has experienced significant developments from 1979 to 1994. The independence of the central bank from the government was strengthened by several reforms. The period under review is characterised by monetary policy consistent with the Italian government's inflation targets following the abandonment of the European Exchange Rate Mechanism in Sep. ANGELONI I. and F. PASSACANTANDO (1991), "Monetary policy in Italy: institutional and economic aspects", in Bank for International Settlements ed., The Orientation of Monetary Policy and the Monetary Policy Decision-Making Process, C.S. 390, Basle, pp. 97-111: BANCA D'ITALIA, Ordinary General Meeting of Shareholders, Abridged Annual Report, various years.