

# Finanz- versus Geldwertstabilität

- **When** is there a **trade-off**?
  - Times of “great moderation”:
    - Inflation is (seems to be) contained
    - Credit and asset price expansion – “credit bubble”
    - *Build-up of risk*, which will only materialize later
    - After burst,
      - deflationary pressure
      - monetary transmission mechanism can be impaired
      - bailouts + government deficits (potentially leading to long-run inflation?)
  - Should interest rate be increased
    - Price stability (inflation targeting) No
    - Financial stability Yes
- **New rationale for modified **monetary aggregates****
  - Was the ECB ahead of the Fed?
  - Modify monetary aggregates to reflect new rationale