

The US Fed, the Eurosystem, the Bank of Japan, and the Bank of England: more similarities or differences, and do they matter?

by Dieter Gerdesmeier, Francesco Paolo Mongelli and Barbara Roffia ¹

[Forthcoming]

Abstract

The paper provides a systematic comparison of the US Federal Reserve, the Eurosystem, the Bank of Japan and the Bank of England. The comparison is organised along three main lines. In a first step, we review the organisational structures of the aforementioned central banks and also, more generally, their monetary policy frameworks. We then proceed in a second step by presenting some stylized facts on the interest rate decisions of the four central banks under investigation. In a third step, we refine our analysis by estimating some simple policy reaction functions à la Taylor. We find that some differences regarding the status and the mandate of the central banks under review, reflecting different historical conditions and national characteristics at the time of their creation. At the same time, the changes to central banking practices, and thereby especially the developments in the direction of greater independence and increased transparency, as well as the general changes in the economic and financial environment over the past two decades, have clearly contributed to reduce the differences among these four monetary authorities. Differences can also be observed regarding the frequency and amplitude of the setting of key policy interest rates. When judging the actual monetary policy decision-making from the perspective of a Taylor-rule framework, however, there remain no striking dissimilarities in economic terms.

Keywords: Monetary policy, central banks and their policies, monetary policy committees.

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