ABSTRACT

The paper explains differences in theoretical approaches between three current streams of economic thinking, namely the new classical macroeconomics, the post-Keynesian economics and "new consensus" within new Keynesian economics from the point of view of the position of the central bank and the roles of its new monetary policy. It also deals with the question and presents the opinion of several experts, to what extent, in this relation, is pertinent the approach of the European Central Bank that is, probably, the only one central bank in the advanced world, which explicitly emphasizes the role of money in the monetary policy. The paper has been elaborated as a part of KEGA project No. 013PU-4/2011 „Economic courses conducted in foreign languages“.

KEY WORDS


JEL classification: E50, E58.

INTRODUCTION

The decision-making about the objectives of the monetary policy and instruments, which the central bank uses to achieve them, hides within certain principal views on principles of operation of the economy, basic relations applied or which would be applied within. However, the economic theory, the aim of which is to submit such views, to develop them scientifically and to imagine their consequences, now do not create a coherent thought stream. The subject of the discussions is, inter alia, the nature of money (their generation and functions) and on the basis of it – an opportunity of the central bank to influence efficiently the money supply and its circulation in the economy.

The aim of the paper is to explain the basic differences in the theoretical approaches between three current streams of economic thinking, namely the new classical macroeconomics, the post-Keynesian economics and the "new consensus" within the new Keynesian economics from the point of view of the position of the central bank and the roles of its monetary policy. It also deals with the question and presents the opinions of several experts, to what extent, in this relation, is pertinent the
approach of the European Central Bank, that is, probably, the only one central bank in the advanced world, explicitly emphasizing the role of money in the monetary policy.

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The new classical macroeconomics, in both its development stages, has significantly influenced the formulation of the requirement for independency of the central bank. The important theoretical argument was the Lucas' interpretation of the Phillips which implies the non-existence of substitution relation between inflation and unemployment. According to Lucas, the economic subjects that create their expectations take into account all available information which can influence the given variable influence in the future so as to benefit as much as possible. On the basis of this fact, it is possible to suppose a correctness of their forecasts and non-recurrence of the systematic errors. The economic subjects try to include the information into their decisions, what is reflected by relative economic variables (wages and prices) and inflation. The representatives of the classical macroeconomics suppose that as a result of influence of market forces, economy generates, in the formation of the rational expectations, a natural rate of unemployment in the long term. The unemployment is (considering the unexpected changes of money supply) higher or lower in the short term than the natural rate of unemployment. If the central bank increases the aggregate demand by the monetary policy, the economic subjects will immediately adjust their rational expectations and take the expected rate of inflation into account by making the changes of prices and wages. Thus, the expected rate of inflation shall be the same as the real inflation rate. The real product and unemployment rate remain unchanged. In the case of the rational expectation, there is no short-term Phillips curve (or it is the same with the long-term one). In this case, it is not possible to conclude a substitution relation between the inflation and unemployment rate. [7, 15]

The argument of the independency of the central bank has been further supported by the matter of time inconsistency\(^1\) of the discrete economy policy (Kydland and Prescott), which is generated

\(^{1}\)In general, time inconsistency in economy means a situation where the preferences change over time, i.e. the preferences of a politician at one point in time is inconsistent with he/she prefers at another point in time. A discrete decisions policy (the selection of the best decision in the given situation at correct assessment of status at the end of given period) does not lead to the optimization of a purpose-built function of the society. The reason of the paradox is the fact that the agents with rational expectations enter the game and that in that case there is no explicit manner of application of the management theory in economics. More exactly, the optimum management can be used only under the condition that only current and past policy is taken into account and the expectations of agents do not depend on future plans. It is possible to say that as a result of the fact that a politician feels a temptation to communicate the policy of monetary rule to public but to abandon it in the practice, the problem of time inconsistency and inflation deviation occurs. The solution of the problem of time inconsistency is to entrust an institution which works with longer time
by the reason that the creator of the monetary policy has a certain benefit from the strategy at which
the announced procedure does not correspond with the procedure later really applied. So as to avoid
this phenomenon (decreasing the economy performance), the economy policy must have the form
of rules and to be as transparent as possible. The central bank must be independent so that not to be
subject to political influences and the monetary policy is to be based on a simple and clear rule. The
independent central bank would consistently use the given rule and not to deviate from it under any
circumstances. Thus, the monetary policy would become sufficiently trustworthy and create the
conditions for the formation of correct rational expectations in short as well as in long terms. [7]

THE POSITION OF THE CENTRAL BANK AND THE ROLE OF THE MONETARY
POLICY FROM THE POINT OF VIEW OF THE POST-KEYNESIAN THEORY OF THE
ENDOGENEITY OF MONEY

The post-Keynesian money theory has arisen in the 1970s as the critical response to the
monetarist counterrevolution. At the turn of the 20th and 21st century, it was already developed in
the form of the full-valued alternative of the monetarist theory of neoclassic as well as new
Keynesian direction in the mainstream economy [14].

The basis of the post-Keynesian money theory consists in the thesis there is no general
theoretical model that can solve all economic problems for all historical periods and all situations.
The significant role belongs, in this relation, to monetary institutions and their evolution. The
development of institutions reflects the major characteristic features of money, since the monetary
institutions and the banking ones are closely interconnected. In this relation, the role of credit is
significant (money is credit-driven) and a demand determination of money [13].

Money plays the significant stabilizing role in the post-Keynesian money theory as an instrument
for overcoming the uncertainty. It is credit-driven and demand-determined. The thesis that money is
determined by demand for credits means that, according to the post-Keynesians, the demand for
credits is the source of supply of money that is either, during the economic cycle, endogenously
generated (during a conjuncture) or destroyed (during a recession). The thesis that money is credit-
driven formulates the manner in which money is created by the process of credit creation in
response to the development of the demand for credits incurred by the investment goals or by the
increase of demand for working capital and destructed in the case of a decrease of the demand for
credits. These create the basis of the theory of so called endogenous nature of money supply,
according to which money is generated and destroyed as a response to the aggregate demand

horizon than politicians and is not so exposed to similar problems and temptations to use the monetary policy for short-
term influencing of real economic quantities with the implementation of the monetary policy. This institution shall be
an independent central bank. Governor and members of the central bank management are usually appointed the periods
that are longer than terms of office of politicians so as to be protected against possible political pressure and efforts to
use the monetary policy for long-term political objectives.
changes and related demand for credits. The basis of considering the endogenous money nature for the post-Keynesian economists was the thoughts of John Maynard Keynes developed in his work *Treatise on Money*, in which Keynes emphasizes the role of bank money, which has developed from money proper [13,16]. Theoretical working out of endogenous money within the post-Keynesian stream was comparatively careful, the empirical literature lacks. The most important contributions in this respect, were from Lavoie, 1996, Fontana and Palacio-Vera, 2003, Arestis and Sawyer, 2004, 2006, Fontana, 2002 [8].

The theory of the endogenous money has considerable consequences for formulation of a monetary and credit policy as well as for the position of the central bank in the market capitalistic economy. In this concept, the money multiplicator is not stable and causal relations are not directed unambiguously from the money basis to bank money (even the contrary relation is more important). Under these conditions, the central bank is not able to directly determine the amount of money in circulation, it is able, at the most, to influence it, however, the effectiveness of the monetary and credit policy is limited and has rather asymmetric consequences. The restrictive policy is usually more effective.

In the post-Keynesian view, the main goal of the central bank is not the currency stability, since the central bank is not able to enforce adequately this goal and its appropriate effectiveness in the battle against inflation is used to be paid by high price of a loss of macroeconomic performance. In this respect, the main problem is a fact that instruments, the central bank has at disposal are suitable for the battle against demand inflation only. Taking into account the fact that after the World War II the advanced capitalistic economies face predominantly cost inflation, this policy has very problematic impacts. In the post-Keynes concept, similarly as for the European version of new Keynesian economics (theoretical conceptions of so called negotiated economy), the income policy has become the effective instrument of the battle against the cost inflation. The role of the central bank consists in the attention paid to stability and sound development of the banking sector. The monetary and credit policy, as well as all administrative instruments used by the central bank to control the banking sector, would be as much as possible coordinated with other economic and political measures oriented to full employment [7].

According to current post-Keynesian authors of theory of relative money endogeneity (Dow, Rodriguez-Fuentes, Lavoie, Monvoison, Rochon, Palley and others) there is a certain interval of the

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2 The key role of the monetary policy in the post-Keynesian theory is represented by control and supervision of the banking (more widely also financial) system. Post-Keynesians always draw the attention to the fact that the central bank is to fulfil especially its microeconomic function. This approach penetrates into the monetary policy. It is possible to observe in recent years that the central banks pay increased attention to stability of financial system in addition to inflation and economic growth.
credit creation. It is given by the conduct of the central bank and of the commercial banks. In this approach, the central bank plays more active role in the existence of the endogenous nature of money supply as well. According to the supporters of this conception, the monetary policy does not include just quantitative (traditional) instruments (open-market operations, determination of obligatory reserves, discount rate and so on), but also qualitative (administrative) control instruments (bank control and supervision). According to their opinion, the significance of quantitative instruments is even decreasing and on the contrary, the role of administrative instruments in the stabilization of bank sector that have behavioral impacts on economic subjects increases [14].

**THE POSITION OF THE CENTRAL BANK AND THE ROLE OF MONETARY POLICY FROM THE POINT OF VIEW OF NEW KEYNESIAN ECONOMICS ("NEW CONSENSUS")**

The new Keynesian economics has arisen during 20th century as a response to the emerging of neoconservative orientations (especially of the monetarism and new classical macroeconomics) and the crisis of neo-Keynesian macroeconomics (large neoclassical synthesis). In the area of the monetary policy and the theory of money, the theoretical conceptions become the basis of the "new consensus", which is the basis of the monetary policy focused to the inflation targeting. The changes of interest rates are, according to the theory, to provide non-inflation development of the aggregate demand, therefore it is possible to understand the inflation targeting also as the monetary policy of fine-tuning of the aggregate demand in the interest of reaching the determined inflation target. The given fine-tuning is based on the Phillips curve interpreted as a relation of the inflation and the production gap and including the inflation expectation. In a simplified fashion, the explanation of the new consensus can be interpreted as the model with three equations, by which it is possible to identify main differences between the new Keynesian theory of money and the post-Keynesian monetary theory of production. For the purpose of a simplification, the instants of time are provided. It is possible to encounter its various options. The following model describes the closed economy [7, 14].

\[
\begin{align*}
\text{y}^g &= a_0 + a_1 \text{y}^g_{-1} + a_2 (E_t \text{y}^g_{+1} - a_3 [i - E_t (\pi_{t+1})]) + s_1 \\
\pi &= b_1 \text{y}^g + b_2 \pi_{-1} + b_3 E_t (\pi_{t+1}) + s_2 \text{ (with } b_2 + b_3 = 1) 
\end{align*}
\]
\[ i = r_0 + E_t (\pi_{t+1}) + c_1 y^g_{t+1} + c_2 (\pi_{t+1} - \pi^T) \]  

(3)

where:

- \( y^g \) - output gap,
- \( i \) – nominal interest rate,
- \( \pi \) – inflation rate,
- \( \pi^T \) – inflation target,
- \( r_0 \) - „equilibrium real interest rate“, which is compatible with a zero output gap,
- \( s_1, s_2 \) – stochastic shocks,
- \( E_t \) – expectations in time \( t \).

Equation (1) is the equation of the aggregate demand, in which the output gap is given by the past and expected output gaps and real interest rate. It is based on the inverse-proportional relation of the aggregate demand and real interest rate (modified Fisher equation).

Equation (2) is an equivalent of the Phillips curve, in which the inflation is based on the common output gap and on the past and future inflation rate.

Equation (3) represents the central bank monetary policy rule (commonly used term for so called Taylor rule), in which the nominal interest rate is set as the response to deviation of inflation and product from their requested levels. In this equation, the creation of expectations is based on the rational expectations [14] in the original versions of the "new consensus" (e.g. Clarida, Gall, Gertler, 2000, Taylor, 1988, Taylor, 1993 and others).

In the "new consensus" models, it is formally working with the cost-push inflation, but the conclusions for the monetary policy are made in such a way as only demand-pull inflation was relevant. The fact that money contained in them are not neutral in the short-time, is the result of small adjusting of nominal and real variables, what represents the characteristic feature of microeconomic bases of the new Keynesian economics. However, in the long term, the quantitative theory of money and resulting money neutrality remain valid. Actually, the inflation targeting supposes that low inflation rate is also harmful to economic development and that only very low inflation rate will provide the successful macroeconomic performance (the inflation rates amounted to 1 to 2% are regarded to be acceptable). According to new Keynesians, the introduction of the rule of monetary policy changes the behaviour of the economic subjects (see in Koderová, J., Sojka, M., Havel, J., 2008).

In these models, there is no room for cost or wage inflation, despite the fact that the entire majority of inflation pressures after the World War II has been caused just by the increase of wage
costs or oil prices and the demand inflation practically did not occur. The utilization of equilibrium real interest rate points out so called wicksell roots of the "new consensus" [7, 8].

**THE EUROPEAN CENTRAL BANK, THE EXAMPLE OF ITS DUAL STRATEGY**

The European system of the central banks has two levels from the formal point of view, the European Central Bank and national central banks of particular Member States of the European Union. The statute of the European Central Bank and the European system of the central banks was established by the Treaty on European Union of 1992 and the Protocol on Statute of the European system of the central banks and the European Central Bank.

Thus, the European Central Bank became the component part of the specific legal and institutional framework of the European Community. The legislation, statutes and frameworks of the monetary policy of the American Federal reserve system and the German central banking based especially on the traditions of the German ordoliberalism become the source of inspiration of these documents. The European system of central banks has no legal personality (the legal entity is the European Central Bank and the national central banks), the participants of the monetary policy is the European Central Bank and the national central banks of the Euro area countries, which, on the basis of the Decision of the Board of Governors is called Eurosystem. The European Central Bank commenced its operation on July 1, 1998. The mandate of the central bank has also been influenced by the residues of the monetarism which could be found in the "new consensus" and its theoretical bases [14].

Owing to these influences, the European Central Bank primarily focuses on the maintaining of the currency stability (Art. 105 of the Treaty and so called Maastricht criteria). While, it is based on the fact, that the European Central Bank can best contribute to "balanced and sustainable noninflation growth" and "high level of employment" by monitoring of the monetary policy focused to the price stability. The ability of the monetary policy to ensure the price stability in the medium-term horizon is based on the dependency of the bank system on money issued by the central bank (identified as the "currency basis"), which is needed for:

- satisfaction of demand for money in circulation,

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3 Despite the fact that the Maastricht Treaty establish unambiguously the main objective of the European Central Bank – maintaining of price stability – it did not define, what the price stability in fact means. Therefore, the Board of Governors of the European Central Bank has published a quantitative definition of price stability in October 1998 where it is defined as "interim increase of harmonized index of consumer prices (HICP) in the euro-currency area by less than 2%". At the same time it established that the price stability is "maintained in a medium-term horizon".
• settlement of interbank balances,
• keeping the obligatory minimum reserves at which their deposition in the central bank could be requested.

Taking into account the monopoly for the formation of the currency basis, the Eurosystem dominantly influences the conditions and interest rates at the money market. The changes of the interest rates on the money market produced by the central bank, initiated a whole series of mechanisms and reactions of economic subjects, which, in the upshot, influence the economic indicators, such as production or prices. This process is called as the "transmission mechanism of the monetary policy" [11].

The European system of central Banks may support "general economy policies in the European Community with the intention to contribute to achieve the Community objectives" specified in the Treaty (economic and social advance, its balance and stability, improvement of economic and social cohesion, high level of employment).

According to Scheller, H., K., there are three main political and economic reasons, why the function of the central bank for euro is held by the system of banks instead one central bank:
• the establishment of one central bank for whole euro area (with the possibility to concentrate the functions of the central bank into one place) would be unacceptable by political reasons,
• the conception of the Eurosystem is based on the skills of the national central banks, preserves their institutional arrangement, infrastructure and operating capacities and relies on their professional knowledge. In addition, the national central banks also performs the tasks, which do not directly relate to the Eurosystem,
• taking the expanse of the euro area into account, it was needed to enable the credit institutions to access the central bank in every participating Member State. Taking the fact into account that there are many countries and cultures in the euro area, the domestic institutions considered to be better access point to the Eurosystem than one multinational institution [11].

Based on the Treaty on European Union and the Statute of the European system of central banks and the European central bank, the European Central Bank fulfils the following basic tasks:
• forming and implementation of single monetary policy of the euro area,
• implementation of foreign-currency operations,
• holding and administration of official monetary reserves of the countries of the euro area,
• provision of continuous operation of payment systems,
• exclusive rights to permit the euro notes emissions,
• compilation of monetary and financial statistics,
consulting activity for national central banks in the matters falling into its competence.

The Eurosystem is distinguished by high degree of independency (now probably highest degree of independency in the world). The European Central Bank as well as national central banks of the euro area are strictly protected against any political influence. The institutional independence of the European Central Bank from any influences (including influences from the part of governments) is guaranteed in Article 108 in the Treaty. This provision specifically provides for that the European Central Bank nor any member of its decision-making bodies will not ask for instructions nor receive the instructions from other institutions or bodies of the Community, nor from any government of a Member State nor from any other body. The institutional independency of the European Central Bank is supplemented by its own legislation powers and consulting task at proposing the national legislation provisions.

According to the European Central Bank, money has a privileged role in its monetary policy. The decision to assign money the special position was based on the recognition of the fact that the money stock and inflation increases are closely related in the medium- and long-term horizons. The monetary and political strategy of the European Central Bank is based on two, mutually complementing analytical views, called pillars:

- economic analysis
  and
- monetary analysis.

Economic analysis (the first pillar) - for evaluation of short-term and medium-term factors of development emphasizing the real economic activity and terms of financing in the particular economies of the Union. This approach considers the fact that price development in these time horizons is influenced to considerable extent by mutual influencing of demand and offer on the market of goods, services and production factors.

Within the economic analysis, the European Central Bank periodically evaluates the following:

- development of total production,
- demand and conditions at the labor market,
- wide scope of price and cost indicators (e.g. influence of economic shocks on cost and price formation influence),
- fiscal policy and
- payment balance of the euro area.

Also other indicators are monitored - the indicators of financial market, real estate prices, exchange rates of shares and movements of currency exchange rates. The macroeconomic
projection elaborated by the Eurosystem’s experts plays the important role in the economic analysis. The projections assist to classify and synthesize economic data with the aim to provide their consistency. In this respect, the projections have the key significance in specification of assessment of prospects of economic development and short-term up to medium-term fluctuations of the inflation from its general trend.

Monetary analysis (second pillar) is focused on a long-term perspective and uses the long-term relation between money and prices. It is based on the assumptions that the inflation is a money phenomenon in the medium-term and long-term periods and the increase of money stock and inflation are closely interconnected in the medium-term and long-term horizon. The monetary analysis predominantly applies as the comparison device (from the part of development in the medium-term up to long-term horizon) of short-term up to medium-term indicators of the monetary policy resulting from the results of the economic analysis. It is focuses on the estimations of the money demand equations, real and nominal money gap, money overhang, utilization of money aggregates\(^4\) as the advance indicators and their counter-entries. According to the research of the European Central Bank, the money aggregates include information about future price development. The subject of the analysis also includes the counterparties (counter-entries) M3, especially credits [5].

The aim of two-pillar approach is to ensure so that not to forget any relevant information in the risk assessment for price stability and to pay appropriate attention to various points of view and comparison of information, in the effort to come to general conclusion about the existence or risks for price stability. Two-pillar approach represents and appears to be as a system of diversified analysis, which is to provide, according to the European Central Bank, so as any relevant information to be omitted in the assessment of the risks influencing the inflation. The analysis of the development and mutual control of economic and monetary indicators (cross-check) is to provide the diversified analysis and to guarantee the consistency of the decision-making based on various analytical approaches.

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\(^4\) The key element of the monetary analysis is the analysis of money aggregate M3, which includes an amount of money in circulation, demand deposits, deposits with agreed maturity within two years including and deposits redeemable at notice up to three months including, repurchase agreements, units/shares of mutual funds of money market and debt debt securities with maturity within two years including. Selection of M3 aggregate is based on the evidences based by several empirical studies that just this aggregate fulfills the requirement of stable demand for money and is relevant indicator of future price development in the euro-area. The reference value of M3 growth was deduced in such a way so that to comply with reaching the price stability in the medium-term period and it was established on the level of 4.5%. A deduction of M3 is based on the quantitative equation of exchange (\(\Delta M\), inflation (\(\Delta P\)), growth of real product (\(\Delta YR\)) and velocity of money circulation (\(\Delta V\)). There was considered the growth rate of real GDP – 2 – 2.5%, the growth of price level below 2% and the decrease of money circulation velocity to 0.5 – 1% per year. The reference value is not the objective for M3 growth, it should serve as equilibrium value of the growth of money aggregate and for identification of possible variations with possible risks influencing the development of inflation.
DISCUSSION

The European Central Bank's representatives declare that the European Central Bank does not monitor more objectives, the key objective is just provision of the price stability in the medium-term horizon. The first pillar does not represent the objective for the growth of money stock, the second pillar does not represent the inflation targeting. Both pillars represent just two different aspects of the inflation analysis, namely the monetary and nonmonetary approach. The first pillar of the monetary analysis becomes the subject of the criticism of quite a number of experts, predominantly by the reason that the European Central Bank did not explained the formal connection of money in the inflation process nor the causality of money and prices more particularly (see in research studies of Svensson, L.E.O., Bean, Ch., Bofinger, P., Eijffinger, S., Wyplosz, Ch. and others).

Baldwin, R. and Wyplosz, Ch. [1] promote the opinion that the monetary policy of the European Central Bank carried out on the basis of the principle “one size fits all” does not have to suit all countries at the same time in such heterogeneous economic field as the euro area actually is (and upon the enlargement in the larger extent it really will be). This “one size” is represented by a single nominal (short-term) interest rate for the whole euro area. The problem is that the monetary policy does not influence the economy by a nominal interest rate, the essence is a real interest rate (i.e. the nominal rate without expected inflation). As well, they restore the question why the team of experts preparing the Maastricht Treaty did not pay attention to the Optimum Currency Area Theory (OCA).

According to Sojka, M. [14], the common requirement of the independency of the central bank, along with the transparency and trustworthiness of its monetary policy based on the "new consensus" applied by the European Central Bank, resulted in the inappropriate accent of the antiinflation monetary policy (which is, in addition, equipped by high level of independency at monitoring of currency objectives) at the expense of economic growth and employment.

Korda, J. [8] points out the fact that the relation of a growth of monetary aggregate M3 and the reactions of the European Central Bank is not clear by its basic interest rate. The annual growth of M3 exceeding 4.5% is interpreted repeatedly by the European Central Bank as non-risky for price stability\(^5\). It is questionable, to what extent the monetary analysis is relevant in the European Central Bank. It is possible to consider the revision of the monetary pillar of May 2003 as the decrease of its significance. In addition to the shift of the monetary analysis to the second place in

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\(^5\) Authors' remark: The European Central Bank regularly releases more detailed M3 development in its quarterly bulletins since January 1999.
introductory statements of the European Central Bank’s governor, the periodical annual revisions of the reference value for M3 growth have been cancelled. It is possible to state that the active task of money is not the matter either in the European Central Bank, only a paradox is confirmed that the inflation is a monetary phenomenon in the long-term period (which the monetary analysis is focused on), while in the short-term period (which the monetary analysis is dealt with) money is not used in the explanation of the inflation at all. The use of money in the monetary policy of the European Central Bank thus corresponds rather to pragmatic use of information provided by monetary aggregates (similarly as for other central banks) while it differs rather just by a detachment of monetary analysis into a special pillar, the generation of which can be regarded as a heritage from German Bundesbank, where the effort apparently consisted in a transfer of its reputation to the European Central Bank.

According to Iša, J. and Okáli, I. [6], it is not possible to ignore a slow growth of economic performance of the euro area and lagging in the dynamics of its key indicators of the supply side (i.e. labor productivity, employment and potential product) which are often assigned to a rigid economic and political and social environment. After all, not all members of the European Monetary Union are satisfied with a single monetary policy which can not take needs and interests of particular Member States into account. Some difficulties of the European monetary Union have their roots in the very process of its origination and other are connected with its asymmetric architecture and with considerable economic heterogeneity. In addition, Iša, J. and Okáli, I. call attention to the fact that a special significance have, from the point of view of forming of monetary policy and its expected effects, the disputes about foreign exchange rate and "trade-off" inflation - unemployment. The Eurosystem does not directly intervene the managing of these thorny problems, however its decisions are one of the keys to the macroeconomic stability, sustainable growth and thus to the managing of specific economic and political questions. According to authors, the Eurosystem has no (as opposed to the American Fed) strong support in the aims included in the Maastricht Treaty. While Fed is characterized by a balance of basic macroeconomic objectives, the European system of central banks defines the price stability as the primary objective and very equivocate about the secondary objectives (economic and social advance, high unemployment). The price stability takes high priority over the secondary objectives, which are more or less ignored by the European Central Bank. In practical decision-making, a motto "Price stability by all means". Therefore it is not surprising that not all members of the euro area agree with such an approach.

**CONCLUSION**
The aim of the paper is to explain the basic differences in theoretical approaches between three current streams of economic thinking, namely new classical macroeconomics, post-Keynesian economics and "new consensus" within the new Keynesian economics from the point of view of the central bank, tasks of its monetary policy and to present the opinions of several experts of the position and dual strategy of the European Central Bank in present time.

As for central banking itself and its task in the actual global financial crisis (crisis of liquidity, debt and crisis of global consumption), where the central banks shower the market with liquidity and basic interest rates of all key central banks are on the all-time low levels, the economist and currency experts ask often the questions to themselves, why the central banks fail in its function of supervision and control, how to transform this function in future, how to proceed in managing the bank crisis, what are the channels by which the global financial crisis does influence or may influence the development of the world conjuncture, or the matter of the monetary policy in future.

According to Cmorej, P., if the world is to return again to a growth trajectory, the system changes will be necessary: a redefinition of the functions of state, central banks, the change of a perception of the real product growth, consumption rate and its structure. There must be created new control mechanisms, which suppose a close international cooperation, extensive powers and high ability of action of future control bodies. It is obvious that it is necessary, in new financial architecture, to fortify the position of particular states in the area of supervision and control over the financial market and global economy as such [2].

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The paper has been elaborated as a part of KEGA project No. 013PU-4/2011 „Economic courses conducted in foreign languages“.

*The scientific paper was presented at International Scientific Correspondence Conference EAEP 2012, which took place in the period from 26th to 30th November 2012 (Prešov, Slovak Republic).

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