

## ABSTRACT

This paper analyzes German monetary policy in the post-Bretton Woods era. Despite the public focus on monetary targeting, in practice, German monetary policy involves the management of short term interest rates, as it does in the United States. Except during the mid to late 1970s, the Bundesbank has aggressively adjusted interest rates to achieve and maintain low inflation. The performance of the real economy, however, also influences its decision-making. Our formal analysis suggests that the Bundesbank has adjusted short term interest rates according to a modified version of the feedback rule that Taylor (1994) has used to characterize the behavior of the Federal Reserve Board under Alan Greenspan.

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