

The logo of Bayern LB, featuring a stylized blue square and arrow pointing right, followed by the text "Bayern LB" in a bold, blue, sans-serif font.

# Bayern LB

Dr. Jürgen Pfister, Chief Economist and Head of Investment Research

**K.N. Kuttner, A.S. Posen**  
**Do Markets Care Who Chairs the Central Bank?**  
**A “practitioner’s” comment**

ZEW/Deutsche Bundesbank “Relation between Monetary Policy and  
Financial Markets” conference

Mannheim, November 23/24, 2006



# Comment on Kuttner/Posen “Do Markets Care ...” (1)

- A “practitioner’s” view
- Relevant questions vs. questions which can be answered
- Fundamental/methodological questions (before and after vs. with or without)
- Fundamental/theoretical questions (personality vs. structural features)

# Comment on Kuttner/Posen “Do Markets Care ...” (2)

- Personality vs. structural features
  - selection process
  - committee decisions
  - central bank independence
  - leading paradigms/schools of thought
- The Fed, the ECB (not analysed in the study) and the Bundesbank as examples

## Comment on Kuttner/Posen “Do Markets Care ...” (3)

- On the methodology in detail:
  - fairly small sample, number of “unusual” market reactions barely significant
  - market reactions may have concentrated on the changes in office holder due to overt conflicts (Pöhl is missing) or personal/financial scandals
  - in many cases announcements did not come as a surprise
  - a positive market response (currency appreciation) may simply reflect the end of uncertainty.

# Comment on Kuttner/Posen “Do Markets Care ...” (4)

## Conclusion:

- (1) Ken is right!
- (2) An interesting (academic) exercise – but of limited value for “practitioners”.