

Free article review on banking: the federal reserve

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The William Boston's article titled "Merkel Backs Bond Buying Program" reports the move by the German Chancellor, at a summer news conference in Berlin, to back the process of buying bonds by the European Central Bank (ECB) in a move that could only be perceived as an endorsement of the ECB president, Mario Draghi, in a manner that would not in any way undermine the position of Germany's Central Bank (The Bundesbank), whose president, Jens Weidmann, has been a strong critic of the bond-buying process. According to Boston, Merkel, while professing her uncertainty about the ability of Europe to establish a common regulator for banks in the Euro-zone, also emphasized the need for such a regulator besides stating that she was confident with the move by ECB to stabilize the Euro.

As reported in the article, Weidmann is opinionative that ECB is only mandated to fight inflation hence has no business financing the budgets of countries in the eurozone. This contradicts Draghi's assertion that the function of ECB extends to ensuring a stable Euro hence can buy government bonds that have one to three years to maturity. In the same light, it is widely acknowledged that the Bundesbank is the most authoritative banking institution in Germany which gives Weidmann a strong voice in eurozone currency matters; this perhaps explains why the German Chancellor was keen not to isolate Weidmann in her stance about the bond buying issue. Finally, the article indicates even though Merkel did not talk about the possibility of bailout requests by Spain and Italy, she did mention that her conversation with Italian Prime Minister did not touch on any bailout issue by Italy.

Relationship of the article to banking structure, money markets, bonds, and how it is critical to business and/or the consumer

Banking structure pertains to the network and organization of banks in a country or a region. The organization of the banks in these networks that always have the central bank as the most important banking institution in a country (or a region) is overly based on the function of the bank. With reference to the article, the article relates to the banking structure whereby the banks are organized in order of their roles. As indicated in the article the role of ECB is to stabilize the Euro for the Euro zone which places it at a superior position than the Bundesbank which is only concerned with matters pertaining to Germany alone.

In the article, it can be seen that ECB is striving to secure the value of the euro through buying government bonds that have a maturity period of between one and three years- this gives insight to the relationship of the article to bonds. Also, notable is the inclusion of money markets in the scope of the article. Assertively, with money being considered a commodity, money markets imply the trading of short-term and long-term maturity securities in place of money. The purchasing and selling of bonds, therefore, qualify to be activities in the money market since bonds can be issued as short-term maturity securities.

Additionally, the fact that the article revolves around the stabilization of the eurozone currency warrant that this article is of remarkable importance to business. Admittedly, there is a far reaching relationship between a stable economy and a stable monetary environment; businesses do well in a stable

economy hence implying that a stable monetary environment is pivotal for the success of businesses.

Reference

Boston, W. (2012, September 17). Merkel Backs Bond-Buying Program. The Wall Street Journal, p. 1. Retrieved September 19, 2012, from http://online.wsj.com/article/SB10000872396390444450004578002150260399228.html?mod=WSJEUROPE_hpp_LEFTTopWhatNews