



Finance and Economics Discussion Series: Robust Monetary Policy with Imperfect Knowledge

By Athanasios Orphanides, John C Williams

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book ***** Print on Demand *****. We examine the performance and robustness properties of monetary policy rules in an estimated macroeconomic model in which the economy undergoes structural change and where private agents and the central bank possess imperfect knowledge about the true structure of the economy. Policymakers follow an interest rate rule aiming to maintain price stability and to minimize fluctuations of unemployment around its natural rate but are uncertain about the economy's natural rates of interest and unemployment and how private agents form expectations. In particular, we consider two models of expectations formation: rational expectations and learning. We show that in this environment the ability to stabilize the real side of the economy is significantly reduced relative to an economy under rational expectations with perfect knowledge. Furthermore, policies that would be optimal under perfect knowledge can perform very poorly if knowledge is imperfect. Efficient policies that take account of private learning and misperceptions of natural rates call for greater policy inertia, a more aggressive response to inflation, and a smaller response to the perceived unemployment gap than would be optimal if...

DOWNLOAD



 **READ ONLINE**
[8.97 MB]

Reviews

If you need to adding benefit, a must buy book. it absolutely was written extremely perfectly and beneficial. You are going to like the way the blogger compose this publication.

-- **Orlando Abernathy**

This pdf is amazing. I actually have gone through and I am sure that I will planning to read once again again in the future. You won't truly feel monotony at any moment of the time (that's what catalogs are for regarding when you request me).

-- **Wellington Connelly**