Monetary Policy Under Uncertainty Historical Origins Theoretical Foundations And Empirical Evidence

Monetary Policy under Uncertainty

Oliver Sauter analyzes three aspects of monetary policy under uncertainty. First he shows that the terms risk and uncertainty are often wrongly used as synonyms despite their different meanings. The second aspect is the proper examination and incorporation of uncertainty into a monetary policy framework. The author undertakes systematization with a closer look at each identified form of uncertainty. Thirdly, he focuses on the quantification of uncertainty from two different perspectives, either from a market perspective or from a central bank perspective.

Monetary Policy Strategy

A leading academic authority and policymaker discusses monetary policy strategy from the perspectives of both scholar and practitioner, offering theory, econometric evidence, and extensive case studies. This book by a leading authority on monetary policy offers a unique view of the subject from the perspectives of both scholar and practitioner. Frederic Mishkin is not only an academic expert in the field but also a high-level policymaker. He is especially well positioned to discuss the changes in the conduct of monetary policy in recent years, in particular the turn to inflation targeting. Monetary Policy Strategy describes his work over the last ten years, offering published papers, new introductory material, and a summing up, “Everything You Wanted to Know about Monetary Policy Strategy, But Were Afraid to Ask,” which reflects on what we have learned about monetary policy over the last thirty years. Mishkin blends theory, econometric evidence, and extensive case studies of monetary policy in advanced and emerging market and transition economies. Throughout, his focus is on these key areas: the importance of price stability and a nominal anchor; fiscal and financial preconditions for achieving price stability; central bank independence as an additional precondition; central bank accountability; the rationale for inflation targeting; the optimal inflation target; central bank transparency and communication; and the role of asset prices in monetary policy.

Evolving Monetary Policy Frameworks in Low-Income and Other Developing Countries

Over the past two decades, many low- and lower-middle income countries (LLMICs) have improved control over fiscal policy, liberalized and deepened financial markets, and stabilized inflation at moderate levels. Monetary policy frameworks that have helped achieve these ends are being challenged by continued financial development and increased exposure to global capital markets. Many policymakers aspire to move beyond the basics of stability to implement monetary policy frameworks that better anchor inflation and promote macroeconomic stability and growth. Many of these LLMICs are thus considering and implementing improvements to their monetary policy frameworks. The recent successes of some LLMICs and the experiences of emerging and advanced economies, both early in their policy modernization process and following the global financial crisis, are valuable in identifying desirable features of such frameworks. This paper draws on those lessons to provide guidance on key elements of effective monetary policy frameworks for LLMICs.

Monetary Policy Rules

This timely volume presents the latest thinking on the monetary policy rules and seeks to determine just what types of rules and policy guidelines function best. A unique cooperative research effort that allowed contributors to evaluate different policy rules using their own specific approaches, this collection presents their striking findings on the potential response of interest rates to an array of variables, including alterations in the rates of inflation, unemployment, and exchange. Monetary Policy Rules illustrates that simple policy rules are more robust and more efficient than complex rules with multiple variables. A state-of-the-art appraisal of the fundamental issues facing the Federal Reserve Board and other central banks, Monetary Policy Rules is essential reading for economic analysts and policymakers alike.

Background Studies for the ECB's Evaluation of Its Monetary Policy Strategy

Economists consider the legacy of Karl Brunner’s monetarism and its influence on current debates over monetary policy. Monetarism emerged in the 1950s and 1960s as a school of economic thought that questioned certain tenets of Keynesianism. Emphasizing the monetary nature of inflation and the responsibility of central banks for price stability, monetarism held sway in the inflation-plagued 1970s, but saw its influence begin to decline in the 1980s. Although Milton Friedman is the economist most closely associated with the development of monetarism, it was Karl Brunner (1916–1989) who introduced the term into the current vocabulary of economics and shaped its meaning. In this volume, leading economists—many of them Brunner’s friends and former colleagues—consider the influence of Brunner’s monetarism on current debates over monetary policy. Some contributors were participants in debates between Keynesians and monetarists; others analyze specific aspects of monetarism as theorized by Brunner and his close collaborator Allan Meltzer, or address its influence on US and European monetary policy. Others take the opportunity to examine Brunner-Meltzer monetarism through the lens of contemporary macroeconomics and monetary models. The book grows out of a symposium that marked the 100th anniversary of Brunner’s birth. Contributors Ernst Baltensperger, Michael D. Bordo, Pierrick Clerc, Alex Cukierman, Michel De Vroey, James Forder, Benjamin M. Friedman, Kevin D. Hoover, Thomas J. Jordan, David Laidler, Allan H. Meltzer, Thomas Moser, Edward Nelson, Juan Pablo Nicolini, Charles I. Plosser, Kenneth Rogoff, Marcel Savioz, Jürgen von Hagen, Stephen Williamson

Karl Brunner and Monetarism

A timeless classic of economic theory that remains fascinating and pertinent today, this is Frank Knight's famous explanation of why perfect competition cannot eliminate profits, the important differences between \"risk\" and \"uncertainty,\" and the vital role of the entrepreneur in profitmaking. Based on Knight's PhD dissertation, this 1921 work, balancing theory with fact to come to stunning insights, is a distinct pleasure to read. FRANK H. KNIGHT (1885-1972) is considered by some the greatest American scholar of economics of the 20th century. An economics professor at the University of Chicago from 1927 until 1955, he was one of the founders of the Chicago school of economics, which influenced Milton Friedman and George Stigler.

Risk, Uncertainty and Profit

Based on lectures given as part of The Stone Lectures in Economics, this book discusses the problem of formulating monetary policy in practice, under the uncertain circumstances which characterize the real world. The first lecture highlights the limitations of decision rules suggested by the academic literature and recommends an approach involving, first, a firm reliance on the few fundamental and robust results of monetary economics and, secondly, a pragmatic attitude to policy implementation, taking into consideration lessons from central banking experience. The second lecture revisits Milton Friedman's questions about the effects of active stabilization policies on business cycle fluctuations. It explores the implications of a simple model where the policy maker has imperfect knowledge about potential output and the private sector forms expectations according to adaptive learning. This lecture shows that imperfect knowledge limits the scope for active stabilization policy and strengthens the case for conservatism.

Grants and Awards for the Fiscal Year Ended ...

The first twenty years of the European Central Bank offer a unique insight into how a central bank can navigate macroeconomic insecurity and crisis. This volume examines the structures and decision-making processes behind the complex measures taken by the ECB to tackle some of the toughest economic challenges in the history of modern Europe.

Imperfect Knowledge and Monetary Policy

A stable money demand forms the cornerstone in formulating and conducting monetary policy. Consequently, numerous theoretical and empirical studies have been conducted in both industrial and developing countries to evaluate the determinants and the stability of the money demand function. This paper briefly reviews the theoretical work, tracing the contributions of several researchers beginning from the classical economists, and explains relevant empirical issues in modeling and estimating money demand functions. Notably, it summarizes the salient features of a number of recent studies that applied cointegration/error-correction models in the 1990s, and it features a bibliography to aid in research on demand for money.

Monetary Policy in Times of Crisis

Comprehensive 200-page overview of the ECB from its inception in June 1998 until the present day.

Survey of Literature on Demand for Money

This handbook provides a comprehensive overview of state-of-the-art research in the field of monetary and financial history. The authors comprise different generations of leading scholars from universities worldwide. Thanks to its unrivaled breadth both in time (from antiquity to the present) and geographical coverage (from Europe to the Americas and Asia), the volume is set to become a key reference for historians, economists, and social scientists with an interest in the subject. The handbook reflects the existing variety of scholarly approaches in the field, from theoretically driven macroeconomic history to the political economy of monetary institutions and the historical evolution of monetary policies. Its thematic sections cover a wide range of topics, including the historical origins of money; money, coinage, and the state; trade, money markets, and international currencies; money and metals; monetary experiments; Asian monetary systems; exchange rate regimes; monetary integration; central banking and monetary policy; and aggregate price shocks.

The European Central Bank

This paper reviews the literature on financial crises focusing on three specific aspects. First, what are the main factors explaining financial crises? Since many theories on the sources of financial crises highlight the importance of sharp fluctuations in asset and credit markets, the paper briefly reviews theoretical and empirical studies on developments in these markets around financial crises. Second, what are the major types of financial crises? The paper focuses on the main theoretical and empirical explanations of four types of financial crises—currency crises, sudden stops, debt crises, and banking crises—and presents a survey of the literature that attempts to identify these episodes. Third, what are the real and financial sector implications of crises? The paper briefly reviews the short- and medium-run implications of crises for the real economy and financial sector. It concludes with a summary of the main lessons from the literature and future research directions.

Handbook of the History of Money and Currency

David Howarth and Peter Loedel provide a theoretically inspired account of the creation, design and operation of the European Central Bank. Issues explored include the theoretical approaches to the ECB, the antecedents of European monetary authority, the different national perspectives on central bank independence, the complex organization of the bank, the issues of accountability and the difficult first years of the ECB in operation.

Financial Crises Explanations, Types, and Implications

This book collects together the basic documents of an approach to the theory and policy of the balance of payments developed in the 1970s. The approach marked a return to the historical traditions of international monetary theory after some thirty years of departure from them – a departure occasioned by the international collapse of the 1930s, the Keynesian Revolution and a long period of war and post-war reconstruction in which the international monetary system was fragmented by exchange controls, currency inconvertibility and controls over international trade and capital movements.

The European Central Bank

The classic introduction to the New Keynesian economic model This revised second edition of Monetary Policy, Inflation, and the Business Cycle provides a rigorous graduate-level introduction to the New Keynesian framework and its applications to monetary policy. The New Keynesian framework is the workhorse for the analysis of monetary policy and its implications for inflation, economic fluctuations, and welfare. A backbone of the new generation of medium-scale models under development at major central banks and international policy institutions, the framework provides the theoretical underpinnings for the price stability–oriented strategies adopted by most central banks in the industrialized world. Using a canonical version of the New Keynesian model as a reference, Jordi Galí explores various issues pertaining to monetary policy's design, including optimal monetary policy and the desirability of simple policy rules. He analyzes several extensions of the baseline model, allowing for cost-push shocks, nominal wage rigidities, and open economy factors. In each case, the effects on monetary policy are addressed, with emphasis on the desirability of inflation-targeting policies. New material includes the zero lower bound on nominal interest rates and an analysis of unemployment’s significance for monetary policy. The most up-to-date introduction to the New Keynesian framework available A single benchmark model used throughout New materials and exercises included An ideal resource for graduate students, researchers, and market analysts

The Monetary Approach to the Balance of Payments (Collected Works of Harry Johnson)

A contributors' \"who's who\" from the academic and policy communities explain and provide perspectives on John Taylor's revolutionary thinking about monetary policy. They explore some of the literature that Taylor inspired and help us understand how the new ways of thinking that he pioneered have influenced actual policy here and abroad.

Monetary Policy, Inflation, and the Business Cycle

Inflation is regarded by the many as a menace that damages business and can only make life worse for households. Keeping it low depends critically on ensuring that firms and workers expect it to be low. So expectations of inflation are a key influence on national economic welfare. This collection pulls together a galaxy of world experts (including Roy Batchelor, Richard Curtin and Staffan Linden) on inflation expectations to debate different aspects of the issues involved. The main focus of the volume is on likely inflation developments. A number of factors have led practitioners and academic observers of monetary policy to place increasing emphasis recently on inflation expectations. One is the spread of inflation targeting, invented in New Zealand over 15 years ago, but now encompassing many important economies including Brazil, Canada, Israel and Great Britain. Even more significantly, the European Central Bank, the Bank of Japan and the United States Federal Bank are the leading members of another group of monetary institutions all considering or implementing moves in the same direction. A second is the large reduction in actual inflation that has been observed in most countries over the past decade or so. These considerations underscore the critical – and largely underrecognized - importance of inflation expectations. They emphasize the importance of the issues, and the great need for a volume that offers a clear, systematic treatment of them. This book, under the steely editorship of Peter Sinclair, should prove very important for policy makers and monetary economists alike.

The Taylor Rule and the Transformation of Monetary Policy

Europe has a rich monetary history. Until recently, its many central banks assigned divergent priorities and pursued policy objectives via different routes. As a result, Europe's past provides fertile ground for those seeking practical guidance to the art ofcentral banking. The importance of this past gained a new dimension with the prospect of Economic and Monetary Union in 1999, as the participating countries were faced with the challenge of bridging their differences and forging a common monetary policy strategy that would apply throughout the new currency area. At the same time, these countries sought to build forth on the theretofore most successful central bank strategies, thereby maintaining a certain degree of policy continuity. Monetary policy strategy is at the core of central banking. This strategy determines how incoming information on economic developments is translated into monetary policy actions and how these policy actions are communicated to the public at large. In other words, the strategy fulfils the dual role ofimposing a structure on the internal policy-making process and ofproviding a vehicle for the external communication of this process. The design of a monetary policy strategy thus brings together key elements such as consistency and transparency - that together determine the effectiveness and credibility ofmonetary policy.

Inflation Expectations

The 1975 publication of Robin Tolmach Lakoff's Language and Woman's Place, is widely recognized as having inaugurated feminist research on the relationship between language and gender, touching off a remarkable response among language scholars, feminists, and general readers. For the past thirty years, scholars of language and gender have been debating and developing Lakoff's initial observations. Arguing that language is fundamental to gender inequality, Lakoff pointed to two areas in which inequalities can be found: Language used about women, such as the asymmetries between seemingly parallel terms like master and mistress, and language used by women, which places women in a double bind between being appropriately feminine and being fully human. Lakoff's central argument that \"women's language\" expresses powerlessness triggered a controversy that continues to this day. The revised and expanded edition presents the full text of the original first edition, along with an introduction and annotations by Lakoff in which she reflects on the text a quarter century later and expands on some of the most widely discussed issues it raises. The volume also brings together commentaries from twenty-six leading scholars of language, gender, and sexuality, within linguistics, anthropology, modern languages, education, information sciences, and other disciplines. The commentaries discuss the book's contribution to feminist research on language and explore its ongoing relevance for scholarship in the field. This new edition of Language and Woman's Place not only makes available once again the pioneering text of feminist linguistics; just as important, it places the text in the context of contemporary feminist and gender theory for a new generation of readers.

The Evolution of Monetary Policy Strategies in Europe

This book collects selected articles addressing several currently debated issues in the field of international macroeconomics. They focus on the role of the central banks in the debate on how to come to terms with the long-term decline in productivity growth, insufficient aggregate demand, high economic uncertainty and growing inequalities following the global financial crisis. Central banks are of considerable importance in this debate since understanding the sluggishness of the recovery process as well as its implications for the natural interest rate are key to assessing output gaps and the monetary policy stance. The authors argue that a more dynamic domestic and external aggregate demand helps to raise the inflation rate, easing the constraint deriving from the zero lower bound and allowing monetary policy to depart from its current ultra-accommodative position. Beyond macroeconomic factors, the book also discusses a supportive financial environment as a precondition for the rebound of global economic activity, stressing that understanding capital flows is a prerequisite for economic-policy decisions.

Language and Woman's Place

. . . this book provides a useful overview of the challenges facing the IT policy framework, both by pointing to the limitations of the underlying theory and, more importantly, by outlining the importance of a transparent policy framework for anchoring expectations. . . the book should be of interest to all central bankers and students of monetary policy. Colin Rogers, Economic Record Recent developments in macroeconomic and monetary thinking have given a new impetus to the management of the economy. The use of monetary policy by way of manipulating the rate of interest to affect inflation is now well accepted by both academic economists and central bank practitioners. Beginning with an assessment of new thinking in macroeconomics and monetary theory, this book suggests that many countries have adopted the New Consensus Monetary Policy since the early 1990s in an attempt to reduce inflation to low levels. It goes on to illustrate that the explicit control of the money supply, which was fashionable in the 1970s and 1980s in the UK, US, Europe and elsewhere, was abandoned in favour of monetary rules that focus on interest rate manipulation by the central bank. The objective of these rules is to achieve specific, or a range of, inflation targets. Bringing together a distinguished cast of international contributors, this book presents a collection of papers, which discuss the following issues amongst others: the stability of the macroeconomic equilibrium monetary policy divergences in the Euro area stock market prices the US post- new economy bubble the information economy inflation targeting. This useful analysis of New Consensus Monetary Policy will be of great interest to financial economists and international monetary economists, as well as students and scholars of macroeconomics and finance.

Research in Education

Macroeconomic policy is one of the most important policy domains, and the tools of macroeconomics are among the most valuable for policy makers. Yet there has been, up to now, a wide gulf between the level at which macroeconomics is taught at the undergraduate level and the level at which it is practiced. At the same time, doctoral-level textbooks are usually not targeted at a policy audience, making advanced macroeconomics less accessible to current and aspiring practitioners. This book, born out of the Masters course the authors taught for many years at the Harvard Kennedy School, fills this gap. It introduces the tools of dynamic optimization in the context of economic growth, and then applies them to a wide range of policy questions – ranging from pensions, consumption, investment and finance, to the most recent developments in fiscal and monetary policy. It does so with the requisite rigor, but also with a light touch, and an unyielding focus on their application to policy-making, as befits the authors’ own practical experience. Advanced Macroeconomics: An Easy Guide is bound to become a great resource for graduate and advanced undergraduate students, and practitioners alike.

International Macroeconomics in the Wake of the Global Financial Crisis

Fourteen European and American economics and philosophy academics and researchers contribute 14 chapters exploring the issue of truth in economics, what economists actually do when they act as economic policy advisers, and what philosophers believe that economic policy advisers shall and can do. Featuring essays with a positivist notion of truth an

The New Monetary Policy

Weber provides an economic analysis of current, post-crash monetary reform proposals, including Bitcoin, sovereign money, regional money and modern monetary theory. The book critically examines these reform concepts, exposing their flaws and fallacies, guiding the reader towards a contemporary understanding of what money is and how it works today.

Advanced Macroeconomics

This second volume contains essays which relate to developments in Keynes' scholarship and theorizing in the years since his death and demonstrates the ongoing validity of the Keynesian tradition.

Resources in Education

Turkey is an interesting case study because it was one of the hardest hit emerging economies by the global financial crisis, with a year-over-year contraction of 15 percent during the first quarter of 2009. At the same time, anticipating the fallout from the crisis, the Central Bank of the Republic of Turkey (CBRT) decreased policy rates by an astounding 1025 basis points over the November 2008 to November 2009 period. In this context, this paper addresses the following broad question: If an inflation targeting framework underpinned by a flexible exchange rate regime was not adopted, how much deeper would the recent recession have been? Counterfactual experiments based on an estimated structural model provide quantitative evidence which suggests that the recession would have been substantially more severe. In other words, the interest rate cuts implemented by the CBRT and exchange rate flexibility both helped substantially soften the impact of the global financial crisis.

Economic Policy Under Uncertainty

During the turbulent 1970s and 1980s the Bundesbank established an outstanding reputation in the world of central banking. Germany achieved a high degree of domestic stability and provided safe haven for investors in times of turmoil in the international financial system. Eventually the Bundesbank provided the role model for the European Central Bank. Hence, we examine an episode of lasting importance in European monetary history. The purpose of this paper is to highlight how the Bundesbank monetary policy strategy contributed to this success. We analyze the strategy as it was conceived, communicated and refined by the Bundesbank itself. We propose a theoretical framework (following Söderström, 2005) where monetary targeting is interpreted, first and foremost, as a commitment device. In our setting, a monetary target helps anchoring inflation and inflation expectations. We derive an interest rate rule and show empirically that it approximates the way the Bundesbank conducted monetary policy over the period 1975-1998. We compare the Bundesbank's monetary policy rule with those of the FED and of the Bank of England. We find that the Bundesbank's policy reaction function was characterized by strong persistence of policy rates as well as a strong response to deviations of inflation from target and to the activity growth gap. In contrast, the response to the level of the output gap was not significant. In our empirical analysis we use real-time data, as available to policymakers at the time. -- Inflation ; Price Stability ; Monetary Policy ; Monetary Targeting ; Policy Rules.

Democratizing Money?

The European Community is negotiating a new treaty to establish the constitutional foundations of an economic and monetary union in the course of the 1990s. This study provides the only comprehensive guide to the economic implications of economic and monetary union. The work of an economist inside the Commission of the European Community, it reflects the considerations influencing the design of the union. The study creates a unique bridge between the insights of modern economic analysis and the work of the policy makers preparing for economic and monetary union.

The General Theory

Today, 318 million people in 15 countries use the Euro, which now rivals the importance of the US Dollar in the world economy. This is an outcome that few would have predicted with confidence when the Euro was launched. How can we explain this success and what are the prospects for the future? There is nobody better placed to answer these questions than Otmar Issing, who as a founding member of the Executive Board of the European Central Bank (1998–2006), was one of the Euro's principal architects. His story is a unique insider account, combining personal memoir with reference to the academic and policy literature.

> Free of jargon, this is a very human reflection on a unique historical experiment and a key reference for all academics, policy makers, and 'Eurowatchers' seeking to understand how the Euro has got to where it is today and what challenges lie ahead.

Dissertation Abstracts International

Recently, monetary authorities have increasingly focused on implementing policies to ensure price stability and strengthen central bank independence. Simultaneously, in the fiscal area, market development has allowed public debt managers to focus more on cost minimization. This “divorce” of monetary and debt management functions in no way lessens the need for effective coordination of monetary and fiscal policy if overall economic performance is to be optimized and maintained in the long term. This paper analyzes these issues based on a review of the relevant literature and of country experiences from an institutional and operational perspective.

The Role of Monetary Policy in Turkey During the Global Financial Crisis

This book was originally published by Macmillan in 1936. It was voted the top Academic Book that Shaped Modern Britain by Academic Book Week (UK) in 2017, and in 2011 was placed on Time Magazine's top 100 non-fiction books written in English since 1923. Reissued with a fresh Introduction by the Nobel-prize winner Paul Krugman and a new Afterword by Keynes’ biographer Robert Skidelsky, this important work is made available to a new generation. The General Theory of Employment, Interest and Money transformed economics and changed the face of modern macroeconomics. Keynes’ argument is based on the idea that the level of employment is not determined by the price of labour, but by the spending of money. It gave way to an entirely new approach where employment, inflation and the market economy are concerned. Highly provocative at its time of publication, this book and Keynes’ theories continue to remain the subject of much support and praise, criticism and debate. Economists at any stage in their career will enjoy revisiting this treatise and observing the relevance of Keynes’ work in today’s contemporary climate.

Opting Out of the Great Inflation

Collects one interview with, and 14 essays by, Karl Brunner, originator of the theory of monetarism. Focusing on macroeconomic issues, and drawing heavily from the period 1973-1988, this second volume of Brunner's selected essays addresses such central themes as the need to bridge the gulf between theory and policy, the nature of relevant analysis and its importance for policy, and the value of basing judgments on the assessment of competing hypotheses. Annotation copyrighted by Book News, Inc., Portland, OR

One Market, One Money

This is an excerpt from the 4-volume dictionary of economics, a reference book which aims to define the subject of economics today. 1300 subject entries in the complete work cover the broad themes of economic theory. This extract concentrates on money.

The Birth of the Euro

This classic textbook in the field, now completely revised and updated, provides a bridge between theory and practice. Appropriate for the second course in Finance for MBA students and the first course in Finance for doctoral students, the text prepares students for the complex world of modern financial scholarship and practice. It presents a unified treatment of finance combining theory, empirical evidence and applications.

Coordination of Monetary and Fiscal Policies

Resale Price Maintenance