

The readings are divided into three areas, monetary policy in the New Keynesian model (Sections 1 - 3), policy evaluation using Taylor rules (Sections 4 – 5), and monetary policy before, during, and after the Great Recession (Sections 6 - 8). The material in the last section is evolving, and I'm sure that I will add readings before the end of the semester. The syllabus on my web page contains links to most of the readings, the most important exception being the material from Woodford's book.

The requirements for the course are an empirical paper and a final examination. For the paper, I expect you to ask a question, write a short literature review, estimate something, and write up your results. The benchmark paper would involve positive and/or normative analysis for a Taylor-type rule with real-time data for some country other than the U.S., but I am open to other ideas, I would expect the paper to be about 10-15 pages long including footnotes, references, figures, and tables, and to look like a short journal article. I will schedule a 15-20 minute presentation of each paper near the end of the semester so you can receive feedback before submitting the written version.

## 1. Stabilization Policy, Rational Expectations, and the Phillips Curve

Friedman, Milton, 1968. ["The Role of Monetary Policy,"](#) *American Economic Review*, 58, 1-17.

Lucas, Robert ["Econometric Policy Evaluation: A Critique,"](#) in *The Phillips Curve and Labor Markets*, vol. 1 of Carnegie-Rochester Conference Series in Public Policy, K. Brunner and A. Meltzer, Ed., 1976, 19-46, reprinted in *Studies in Business Cycle Theory* (L), R. Lucas, ed., 104-130.

Lucas, Robert ["Some International Evidence on Output-Inflation Tradeoffs,"](#) *AER*, June 1973, 326-334, reprinted in *LS*, 131-145.

Sargent, Thomas and Neal Wallace ["Rational Expectations, the Optimal Monetary Instrument, and the Optimal Money Supply Rule,"](#) *JPE* 1975, reprinted in *Rational Expectations and Econometric Practice* (LS), Robert Lucas and Thomas Sargent, Ed., 215-228

Fischer, Stanley ["Long-Term Contracts, Rational Expectations, and the Optimal Money Supply Rule,"](#) *JPE* 1977, reprinted in *LS*, 261-276

Taylor, John ["Staggered Wage Setting in a Macro Model,"](#) *AER*, May 1979, 108-113

Kydland, Finn and Edward Prescott ["Rules Rather than Discretion: The Inconsistency of Optimal Plans,"](#) *JPE* 1977, reprinted in *LS*, 619-638

Calvo, Guillermo ["Staggered Prices in a Utility-Maximizing Framework,"](#) *JME* 1983, 383-398.

## 2. The Taylor Rule

Taylor, John ["Discretion Versus Policy Rules in Practice,"](#) Carnegie-Rochester Conference Series in Public Policy, 1993, 195-214.

Taylor, John, "[The Robustness and Efficiency of Monetary Policy Rules as Guidelines for Interest Rate Setting by the European Central Bank](#)" Journal of Monetary Economics, 1999, pp.655-679

Asso, Francesco, George Kahn and Robert Leeson, "[The Taylor Rule and the Transformation of Monetary Policy](#)", Federal Reserve Bank of Kansas City RWP 07-11, 2007

Taylor, John, "[Using Monetary Policy Rules in Emerging Market Economies](#)," In Stabilization and Monetary Policy: The International Experience, Proceedings of a Conference at the Central Bank of Mexico, 2001.

Taylor, John, "[Globalization and Monetary Policy: Missions Impossible](#)," In Mark Gertler and Jordi Gali, eds., The International Dimensions of Monetary Policy, University of Chicago Press, 2009, 609-624.

Edwards, Sebastian, "Monetary Policy Independence under Flexible Exchange Rates: The Federal Reserve and Monetary Policy in Latin America - Is there Policy "Spillover"? in Rules for International Monetary Stability, Hoover Press, 2017, 1-46

### **3. The IS Curve, Phillips Curve, and Taylor Rule Model**

Woodford, Michael, 2008, "[How Important is Money in the Conduct of Monetary Policy?](#)" Journal of Money, Credit, and Banking, vol. 40, pages 1561-1598.

Woodford, Michael, [Interest and Prices](#), Princeton University Press, 2003, pages 245-261

Clarida, Richard, Gali, Jordi and Mark Gertler "[The Science of Monetary Policy: A New Keynesian Perspective](#)," Journal of Economic Literature, 1999, 1661-1669.

Curdia, Vasco and Michael Woodford, "[Credit Spreads and Monetary Policy](#)," Journal of Money, Credit, and Banking, 2010

Curdia, Vasco and Michael Woodford, "[Conventional and Unconventional Monetary Policy](#)," Federal Reserve Bank of St. Louis Review, July/August 2010, 229-264

Cochrane, John, "[Determinacy and Identification with Taylor Rules](#)," Journal of Political Economy, June 2011, 565-615

### **4. Monetary Policy Evaluation with Taylor Rules**

Taylor, John "[A Historical Analysis of Monetary Policy Rules](#)," in Monetary Policy Rules, J. Taylor, ed., 1999, 319-348.

Clarida, Richard, Jordi Gali, and Mark Gertler, 1998, "[Monetary policy rules in practice: Some international evidence](#)," European Economic Review, vol. 42, pages 1033-1067.

Clarida, Richard, Jordi Gali, and Mark Gertler, 2000, ["Monetary policy rules and macroeconomic stability: Evidence and some theory."](#) Quarterly Journal of Economics, vol. 115(1), pages 147-180.

Judd, John and Glenn Rudebusch, 1998, ["Taylor's Rule and the Fed: 1970-1997,"](#) Federal Reserve Bank of San Francisco Economic Review, 98(3), 3-16.

Blinder, Alan S. and Ricardo Reis, ["Understanding the Greenspan Standard"](#), in The Greenspan Era: Lessons for the Future, Federal Reserve Bank of Kansas City, 2005, pp.11-96

Rudebusch, Glenn, ["Monetary Policy Inertia: A Fact or Fiction?"](#) International Journal of Central Banking, 2006, pp.85-135

## **5. Taylor Rules with Real-Time Data**

Orphanides, Athanasios, 2001. ["Monetary policy rules based on real-time data,"](#) American Economic Review, vol. 91(4), pages 964-985.

Orphanides, Athanasios, 2000. ["Activist Stabilization Policy and Inflation: The Taylor Rule in the 1970s,"](#) unpublished, Federal Reserve Board.

Orphanides, Athanasios, 2002. ["Monetary Policy Rules and the Great Inflation,"](#) American Economic Review Papers and Proceedings, 92(2), 115-120.

Orphanides, Athanasios, 2003. ["Historical Monetary Policy Analysis and the Taylor Rule,"](#) Journal of Monetary Economics, 50, 983-1022.

Orphanides, Athanasios, 2003. ["The Quest for Prosperity without Inflation,"](#) Journal of Monetary Economics, 50, 633-663.

Orphanides, Athanasios, 2004. ["Monetary policy rules, Macroeconomic Stability, and Inflation: A View from the Trenches,"](#) Journal of Money, Credit, and Banking, 36, 151-175.

Taylor, John, 2000. ["Comments on Athanasios Orphanides' The Quest for Prosperity without Inflation,"](#) unpublished, Stanford University.

Cecchetti, Stephen, Peter Hooper, Bruce Kasman, Kermit Schoenholtz, and Mark Watson, 2007. ["Understanding the Evolving Inflation Process,"](#) U.S. Monetary Policy Forum.

Levin, Andrew and John Taylor, 2009, ["Falling Behind the Curve: A Positive Analysis of Stop-Start Monetary Policies and the Great Inflation,"](#) in Michael Bordo and Athanasios Orphanides, eds., *The Great Inflation*, University of Chicago Press.

Niklosko-Rzhevskyy, Alex and David H. Papell, 2012. ["Taylor Rules and the Great Inflation,"](#) Journal of Macroeconomics, 903-918, [slides](#)

Gerberding, Christina, Andreas Worms, and Franz Seitz, ["How the Bundesbank Really Conducted](#)

[Monetary Policy: An Analysis Based on Real-Time Data.](#)” The North American Journal of Economics and Finance, 2005, 16, pp.277-292

Molodtsova, Tanya, Alex Nikolsko-Rzhevskyy and David H. Papell, [“Taylor Rules with Real-Time Data: A Tale of Two Countries and One Exchange Rate”](#) Journal of Monetary Economics, 2008, 55, pp.S63-S79, [slides](#)

Murray, Christian, Nikolsko-Rzhevskyy, Alex, and David Papell, 2015, [“Markov Switching and the Taylor Principle,”](#) Macroeconomic Dynamics, 913-930 [slides](#)

Xia, Fan Dora and Jing Cynthia Wu, 2016, [“Measuring the Macroeconomic Impact of Monetary Policy at the Zero Lower Bound,”](#) *Journal of Money, Credit, and Banking*, 48, 253-291

Nikolsko-Rzhevskyy, Alex, David H. Papell, and Ruxandra Prodan, 2017, [“The Taylor Principles,”](#) unpublished, University of Houston [slides](#)

## **6. Monetary Policy and the Great Recession**

Taylor, John, [“Housing and Monetary Policy”](#), in Housing, Housing Finance, and Monetary Policy, Federal Reserve Bank of Kansas City, 2007

Poole, William, [“Understanding the Fed,”](#) Federal Reserve Bank of St. Louis Review, 2007, January/February, 3-13

Kohn, Donald, [“John Taylor Rules,”](#) October 12, 2007

Kohn, Donald, [“Monetary Policy in the Financial Crisis,”](#) in Ciorciari, John and John Taylor, eds., 2009. [The Road Ahead for the Fed,”](#) Hoover Institution Press, Stanford, California, 51-66.

Hamilton, James, [“Concerns about the Fed’s New Balance Sheet,”](#) in Ciorciari, John and John Taylor, eds., 2009. *The Road Ahead for the Fed,”* Hoover Institution Press, Stanford, California, 67-84.

Meltzer, Alan, 2009. “Inflation Nation,” *The New York Times*, May 4, p. A19.

Taylor, John, [“The Need for a Clear and Credible Exit Strategy,”](#) in Ciorciari, John and John Taylor, eds., 2009. *The Road Ahead for the Fed,”* Hoover Institution Press, Stanford, California, 85-100.

Reis, Ricardo, [“Interpreting the Unconventional U.S. Monetary Policy of 2007-09,”](#) *Brookings Papers in Economic Activity*, 2010

Guha, Krishna, [“Fed Study Puts Ideal Interest Rate at -5%,”](#) *Financial Times*, April 27, 2009

Taylor, John, [“Systematic Risk and the Role of Government,”](#) speech at the Conference on Financial Innovation and Crises, Federal Reserve Bank of Atlanta, May 12, 2009

Rudebusch, Glenn, [“The Fed’s Monetary Policy Response to the Current Crisis,”](#) Federal Reserve Bank of San Francisco *Economic Letter* No. 17, May 22, 2009

Taylor, John, [“Taylor Rule Change Will Hurt Fed’s Inflation Fight,”](#) Commentary on Bloomberg.com, August 25, 2009

Dokko, Jane, Brian Doyle, Michael Kiley, Jinill Kim, Shane Sherlund, Jae Sim, and Skander Van den Heuvel, [“Monetary Policy and the Housing Bubble,”](#) manuscript, Federal Reserve Board, December 22, 2009

Bernanke, Ben, [“Monetary Policy and the Housing Bubble,”](#) speech at the American Economic Association, January 3, 2010

Papell, David, [“Bernanke on the Taylor Rule,”](#) Econbrowser, January 12, 2010

Taylor, John, [“Getting Back on Track: Macroeconomic Policy Lessons from the Financial Crises,”](#) Federal Reserve Bank of St. Louis Review, May/June 2010, 165-176

Rudebusch, Glenn, [“The Fed’s Exit Strategy for Monetary Policy,”](#) Federal Reserve Bank of San Francisco *Economic Letter* No. 17, June 14, 2010

Niklosko-Rzhevskyy, Alex and David H. Papell, 2013, [“Taylor’s Rule versus Taylor Rules,”](#) International Finance, 16:1, 71-93, [slides](#)

Papell, David, [“The Taylor Rule and QE2,”](#) Econbrowser, May 5, 2011

## **7. Policy Rules versus Discretion**

Taylor, John, [“Monetary Policy Rules Work and Discretion Doesn’t: A Tale of Two Eras,”](#) Journal of Money, Credit, and Banking, 2012, 1017-1032

Taylor, John, 2011, [“Legislating a Rule for Monetary Policy,”](#) *Cato Journal*, 31, 407-415

Taylor, John, [“A Whole New Section on Policy Rules in Fed’s Report”](#) Economics One Blog, July 11, 2017

Taylor, John, [“Still Learning from Milton Friedman: Version 3.0,”](#) Economics One Blog, July 31, 2017

Yellen, Janet, [“The Economic Outlook and Monetary Policy,”](#) speech at the Money Marketeers of New York University, April 11, 2012

Yellen, Janet, [“Perspectives on Monetary Policy,”](#) speech at the Boston Economic Club Dinner, Federal Reserve Bank of Boston, June 6, 2012

Yellen, Janet, [“Normalizing Monetary Policy: Prospects and Perspectives,”](#) remarks at the Federal Reserve Bank of San Francisco, March 27, 2015

Niklosko-Rzhevskyy, Alex, Prodan, Ruxandra, and David H. Papell, [“\(Taylor\) Rules versus Discretion in U.S. Monetary Policy,”](#) unpublished, January 2015, [slides](#)

Niklosko-Rzhevskyy, Alex, Prodan, Ruxandra, and David H. Papell, [“Deviations from Rules-Based Policy and their Effects,”](#) *Journal of Economic Dynamics and Control*, 49, December 2014, 4-18 [slides](#)

Niklosko-Rzhevskyy, Alex, Prodan, Ruxandra, and David H. Papell, 2016, “[Policy Rule Legislation in Practice](#),” in John Cochrane and John Taylor, eds., *Central Bank Governance and Oversight Reform*, Hoover Institution Press, 55-82, [slides](#)

Niklosko-Rzhevskyy, Alex, Prodan, Ruxandra, and David H. Papell, 2016, “[Policy Rules and Economic Performance](#),” unpublished, University of Houston

## **8. Monetary Policy in 2017 and Beyond**

### [FOMC Meeting Calendar, Statements, and Transcripts](#)

Yellen, Janet, “[The Goals of Monetary Policy and How We Pursue Them](#),” remarks at the Commonwealth Club of San Francisco, January 18, 2017

Yellen, Janet, “[The Economic Outlook and the Conduct of Monetary Policy](#),” remarks at the Stanford Institute for Economic Policy Research, January 19, 2017

Fischer, Stanley, “[I’d Rather Have Bob Solow Than an Econometric Model, But...](#),” remarks at the Warwick Economics Summit, February 11, 2017

Fischer, Stanley, “[Monetary Policy: By Rule, By Committee, or By Both?](#),” remarks at the U.S. Monetary Policy Forum, March 3, 2017

Niklosko-Rzhevskyy, Alex, Prodan, Ruxandra, and David H. Papell, 2017, “[The Yellen Rules](#),” forthcoming, *Journal of Macroeconomics*, December

Taylor, John, “[Sound Monetary Policy](#),” Congressional Testimony, March 16, 2017

Taylor, John, “[R-Star Wars](#),” Economics One Blog, June 5, 2017

Taylor, John, “[Reserve Balances and the Fed’s Balance Sheet in the Future](#),” Economics One Blog, June 24, 2017