

Alex Nikolsko-Rzhevskyy

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SUMMARY

Fields of interest: Monetary Policy, Time Series Econometrics/Forecasting, International Economics

Job Marker Paper: "Monetary Policy Evaluation in Real Time: Forward-Looking Taylor Rules without Forward-Looking Data"

Citizenship: Ukraine

Marital status: Married

EDUCATION

University of Houston, Houston, TX

Ph.D. in Economics, GPA: 3.93/4.0

Expected: May 2008

Dissertation: "Essays on Monetary Policy Evaluation with Taylor Rules and Real-Time Data"

Economics Education and Research Consortium, Kiev, Ukraine

M.A. Honors in Economics, GPA: 3.70/4.0

May 2003

Thesis: "Bank Bankruptcy in Ukraine: What are the Determinants and Can Bank Failure be Forecasted?"

Odessa National University, Odessa, Ukraine

M.Sc. in Physics, GPA: 4.87/5.0

May 2001

Thesis: "Essays on Ionization of Heat-resistant Macroparticles in High-temperature Plasmosol"

SELECTED PUBLICATIONS AND WORKING PAPERS

- **"Monetary Policy Evaluation in Real Time: Forward-Looking Taylor Rules without Forward-Looking Data,"** (2008) Job Market Paper.
- **"Taylor Rules and Real-Time Data: A Tale of Two Countries and One Exchange Rate,"** (2008) with Tanya Molodtsova and David Papell. Revise and resubmit, *Journal of Monetary Economics*.
- **"Inflation Persistence and the Taylor Principle,"** (2007) with Christian Murray and David Papell. *Working paper*.
- **"The Relative Performance of Alternative Taylor Rule Specifications,"** (2008) with Adriana Fernandez and Evan F. Koenig. *Submitted to a journal*.
- **"Measuring the Taylor Rule's Performance,"** (2007) with Adriana Fernandez. *Economic Letter – Insights from the Federal Reserve Bank of Dallas, Vol. 2, No. 6, June*.

TEACHING EXPERIENCE

University of Houston, Houston, TX

Teaching Fellow – "Macroeconomics 2305"

2005 – 2007

Sole teaching responsibility for teaching 4 sections of Principles of Macroeconomics.
Student evaluation scores consistently above the department average.

Graduate Teaching Assistant – "Econometrics 1": Prof. Murray

2004

Graded homeworks, conducted weekly practical classes, developed homework assignments.

Graduate Teaching Assistant – "Computational Economics": Prof. Dechert

2003

Assisted during class meetings, developed several homework assignments.

Teaching Fellow – "Computational Physics" (Odessa National University)

2001

Sole teaching responsibility for teaching 2 sections of Computational Physics.

PROFESSIONAL MEMBERSHIP

- American Economic Association
- European Econometrics Society
- Euro Area Business Cycle Network
- International Institute of Forecasters

WORK IN PROGRESS

- "Long swings in nominal exchange rates: are they still there and does market know about them?" 2007
- "Solving RBC Indivisible Labor Model Using Parameterized Expectations Algorithm with Moving Bounds," 2003
- "Bank Bankruptcy in Ukraine: What are the determinants and Can Bank Failure be Forecasted?" 2003
- "Are Foreign Capital and Trade Complements or Substitutes? Historical Evidence from the Ottoman Empire," with Sebnem Kalemli-Ozcan, 2007.
- "AIDS: The Seventh Commandment in Action?" 2006.

PRESENTATIONS

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| • Midwest Econometrics Group Meetings | October, 2007 |
| • European Economic Association & Econometric Society Meetings | August, 2007 |
| • North American Summer Meeting of the Econometric Society | June, 2007 |
| • Missouri Economics Conference | March, 2007 |
| • Texas Econometrics Camp | February, 2007 |
| • Symposium of the Society for Nonlinear Dynamics and Econometrics | March, 2006 |

AWARDS

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|---|--------------------|
| • Teaching Assistantship, University of Houston | 2003 – 2007 |
| • Cullen Supplemental Fellowship, University of Houston | 2003 – 2004 |
| • COSCO Scholarship, Helsinki Business School | 2002 |
| • Honors scholarship, Economics Education and Research Consortium | 2001 – 2003 |
| • Government Scholarship, Odessa National University | 1996 – 2001 |
| • George Soros Research Grant in Applied Physics | 1996 – 1997 |

RELATED SKILLS

- **Computer skills:** Gauss, C++, Matlab, WinRats, E-Views, Stata, SPSS, Mathcad
- **Languages:** English – fluent, Russian, Ukrainian – native.

REFERENCES

- **David Papell**, Professor and Chairman, Department of Economics, University of Houston.
Phone: 713-743-3807 Email: dpapell@uh.edu
- **Christian Murray**, Associate Professor, Department of Economics, University of Houston.
Phone: 713-743-3835 Email: Christian.Murray@mail.uh.edu
- **Sebnem Kalemli-Ozcan**, Associate Professor, Department of Economics, University of Houston.
(On leave 2007-2008) Email: Sebnem.Kalemli-Ozcan@mail.uh.edu
- **Masao Ogaki**, Professor, Department of Economics, Ohio State University.
Phone: 614-292-5842 Email: mogaki@ecolan.sbs.ohio-state.edu

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Dissertation Abstract

"Essays on Monetary Policy Evaluation with Taylor Rules and Real-Time Data"

"Monetary Policy Evaluation in Real Time: Forward-Looking Taylor Rules without Forward-Looking Data" (*Job Market Paper*)

There is widespread agreement that monetary policy should be evaluated by using forward-looking Taylor rules estimated with real-time data. For the case of the U.S., this analysis can be performed using Greenbook data, but only through 2002. In countries outside the U.S., central banks do not regularly release their forecasts to the public. I propose a methodology for conducting monetary policy evaluation in real-time when forward-looking real-time data is unavailable. I then implement this methodology and estimate the resultant Taylor rules for the U.S., Canada, the U.K., and Germany. The methodology consists of calibrating models to closely replicate Greenbook forecasts, and then applying them to international real-time datasets. The results show that the U.S. output gap series is well described by quadratic detrending, while Greenbook inflation forecasts can be closely replicated using Bayesian model averaging over Autoregressive Distributed Lag models in inflation and the GDP growth rate. German and U.S. Taylor rules are characterized by inflation coefficients increasing with the forecast horizon and a positive output gap response. The U.K. and Canada interest rate reaction functions achieve maximum inflation response at middle-term horizons of about 1/2 year and the output gap coefficient enters the reaction functions insignificantly. Estimating the U.K. and Canadian Taylor rules as forward-looking is crucial, as backward-looking specifications produce nonsensical estimates. This is not the case for the U.S. and Germany.

"Taylor Rules and Real-Time Data: A Tale of Two Countries and One Exchange Rate"

(Joint with Tanya Molodtsova and David Papell, "Revised and Resubmit," Journal of Monetary Economics)

Most studies which focus on explaining central bank behavior using interest rate reaction functions fit a single specification of a monetary policy rule using the longest available span of historical data. This data, however, is revised and therefore does not reflect the information available to monetary authorities at the time they are formulating policy. We find that differences in estimated Taylor rules based on revised and real-time data are more important for Germany than for the U.S., Taylor rules using real-time data suggest significant differences between U.S. and German monetary policies, and Taylor rules for the U.S. using inflation forecasts are nearly identical to those using lagged inflation rates. We then investigate the implications of the use of real-time data for evaluating out-of-sample exchange rate predictability. Using a model for the dollar/mark nominal exchange rate with forecasts based on Taylor rule fundamentals, we find strong evidence of predictability of exchange rate changes at the one-quarter horizon using real-time, but not revised, data.

"The Uncertain Unit Root in US Inflation"

(Joint with Christian Murray and David Papell)

Although the persistence of inflation is a central concern of macroeconomics, there is no consensus regarding whether or not inflation is stationary or has a unit root. We show that, in the context of a "textbook" macroeconomic model, inflation is stationary if and only if the Taylor rule obeys the Taylor principle, so that the real interest rate is increased when inflation rises above the target inflation rate. We estimate Markov switching models for both inflation and real-time forward looking Taylor rules. Inflation appears to have a unit root for most of the 1967 – 1981 period, and is stationary before 1967 and after 1981. We find that the Fed's response to inflation is also regime dependent, with both the pre and post-Volcker samples containing monetary regimes where the Fed both did and did not follow the Taylor principle. This contrasts to recent research that suggests the Fed's response to inflation has been time invariant, and that changes in monetary policy only occurred with respect to the output gap.