

Euro Area Business Cycle Network Training School

Monetary Policy: An Imperfect Knowledge Perspective

By

Bruce Preston

**University of Mannheim
Germany**

3-5 April 2017

Deadline: 6pm (UK time), Friday, 20 January 2017

General Description

We are pleased to announce details of the latest EABCN Training School; a three-day course entitled “Monetary Policy: An Imperfect Knowledge Perspective”. Professor Bruce Preston will teach the course. It is primarily aimed at participants in the Euro Area Business Cycle Network but applications will also be considered from doctoral students, post-doctoral researchers and economists working in central banks and government institutions outside of the network, as well as commercial organisations (fees applicable for non-network organisations).

Course Contents

There is pervasive evidence of low-frequency variation in macroeconomic data. This is true of time series of various measures of output, inflation and interest rates, and also survey forecast data of these same variables. Using a New Keynesian model with learning dynamics, this course builds an analytical framework for monetary policy evaluation that is consistent with these observations. The consequences of such belief structures for monetary policy design are explored. While drifting expectations confront policy with new challenges, many of the basic recommendations of rational expectations policy advice continue to be relevant, with some taking greater force. Models with imperfect knowledge are shown to improve quantitative performance, and also permit study of topics that are difficult to address through the lens of rational expectations equilibrium modelling, such as communications policy and the anchoring or de-anchoring of long-term inflation expectations.

The following topics will be covered

1. Approaches to modelling learning dynamics
 - a. The anticipated-utility approach and internal rationality
 - b. Analytical methods and tools
2. Implementing monetary policy under imperfect knowledge
 - a. Simple rules versus target criteria
 - b. The advantages of inertia and price-level targets
 - c. Issues in optimal policy design
3. Empirical validation
 - a. Using survey data
 - b. Estimating models with learning dynamics

- c. Application: empirical model of long-term inflation expectations

Administrative Information:

The course will take place at the University of Mannheim, Germany (<http://www.uni-mannheim.de/1/english/>). Mannheim can be reached with a 30 minute train ride from Frankfurt airport.

Participants will be invited to make their own arrangements regarding their accommodation and meals. Further information about hotel options will be available to successful applicants.

Candidates should apply by sending an email with their details to Chloe Smith in the CEPR Events team (csmith@cepr.org) by **6pm (UK Time +1 GMT), Friday, 20 January 2017**.

We ask that you send a current version of your CV. PhD students should also specify in which way the school will be useful for their current research (max 300 words).

About the Instructor:

Bruce Preston is a Professor of Economics at the University of Melbourne. He holds a Bachelor of Economics, with First Class Honours, from the Australian National University, and a PhD from Princeton University. His broad interests are in the theory and practice of monetary economics. His research has been funded by the Australian Research Council's Future Fellowship program. He is also a Senior Economics Research Advisor to the Reserve Bank of Australia.