Volker Wieland May 9, 2025

I traveled in from Europe yesterday. There a lots of good news. In Germany we have a new Chancellor. The world has a new Pope who hails from America. And we all here have John Taylor.

I am very grateful to the organizers that I can participate in the „Celebration in Honor of John Taylor“. And I feel very honored to moderate this morning's first panel on John Taylor and Taylor Rules in Policy at the Hoover monetary policy conference on „Finishing the Job and New Challenges“.

In a way, this panel is part of both events. Yesterday's event to honor John's path-breaking and highly influential contributions to economics as a science and to economic policy as a science and an art, and today's event that dives into current challenges for central banks around the world.

It was an amazing conference day yesterday, which gave justice to the wide range of fundamental scientific contributions by John Taylor to monetary economics: The modeling of the macro-economy, price and wage rigidities, methodological advances to solve and estimate macro models with rational expectations (and with learning I may add), finance and asset pricing, international monetary and fiscal policy interaction, and prominently for us today, rules for monetary policy (and I may add fiscal policy). So those of us, who are on the annual mailing of this Swedish committee, let's make sure to get that message across to them too.

But there was more, as the many students and friends of John gathered and shared their views on his work and their experience with him as a human being. In my humble view, no matter how important or unimportant we are in the eyes of society at large, what really matters is how we live our lives and deal with all the human beings around us. Right on the first panel yesterday, Andrew Lewin spoke about these aspects of John Taylor and he spoke about stewardship and how to be a good steward. It was moving to hear throughout the day what everyone shared about John in this regard. And I could also testify to that.

So today, we start with Taylor rules and their use in policy. We have an amazing list of six speakers, which leaves us little time, about 10 minutes each. We start off with John Williams, a student of John and one the world's most influential central bankers today, as FOMC member and head of the New York

Federal Reserve Bank implementing US monetary policy. Then Agustin Carstens, General Manager of the Bank of International Settlements. Both sent videos. Then, here with us in person, Christopher Waller currently Governor at the Federal Reserve Board and Loretta Mester and Charles Plosser who previously served as Federal Reserve Bank Presidents and on the Federal Open Market Committee, and last but not least, Kevin Warsh, formerly also Governor on the Federal Reserve Board.

Personally, I was also student and research assistant of John Taylor at Stanford from 1992 to 1995, together with John Williams. When I moved as a young economist to the Board of Governors in DC, Taylor rules were a hot topic. I got immediately involved in preparing material for the policy meetings of the governors using Taylor rules. Other people who were involved in this at the time included John Williams, Andrew Levin, Athanasios Orphanides and David Small and David Wilcox. We were working under the early leadership by Donald Kohn, Peter Tinsley, Dale Henderson, Richard Porter, Dave Lindsey and others. And once the Fed started actual communication following its decisions in the 2000s, the first verbal framework already followed the format of the Taylor rule.

I could tell some anecdotes about Alan Greenspan and staff work on policy rules, but there is no time. We are moving from history of economic thought and economic policy to today‘s challenges. And to briefly set up this discussion, let me show you one slide, with Taylor rules and Fed and ECB policies since 2018 in two figures.

Figure 1: US Taylor rules and Fed policy

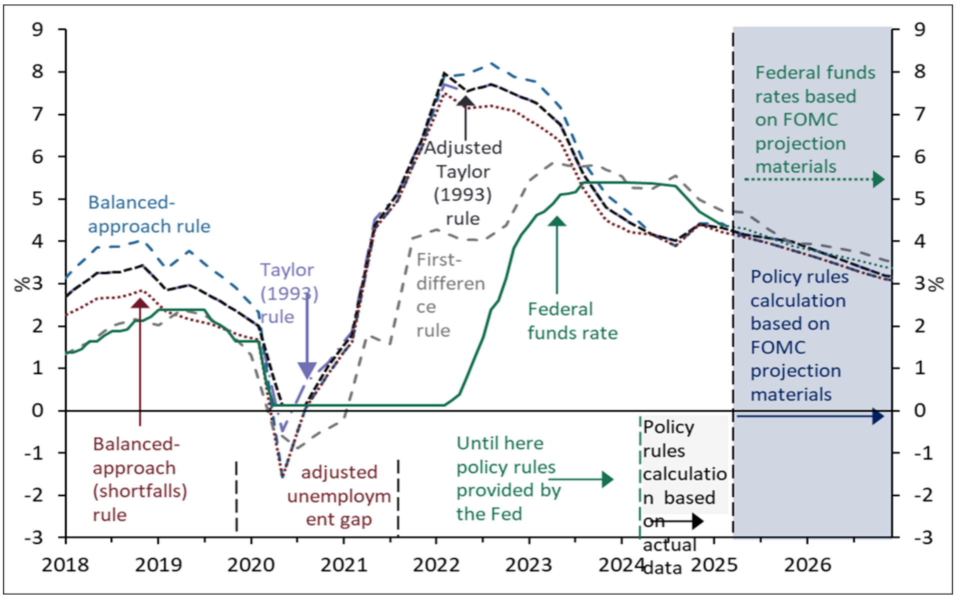
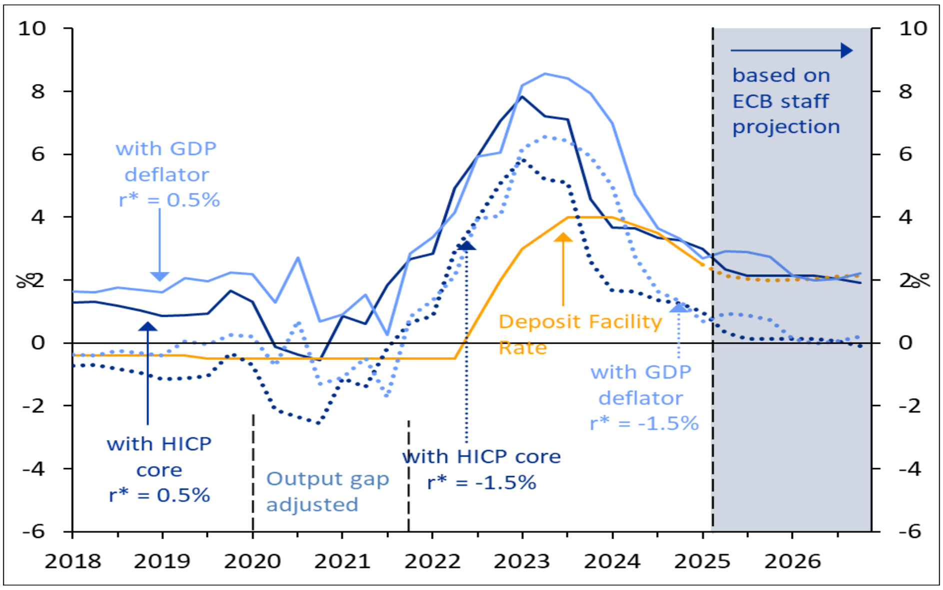


Figure 2: Euro area Taylor rules and ECB policy



You can see in Figure 1 for the United States in Figure 2 for the euro area, that a range of Taylor rules gave clear signals for the need for policy tightening from 2021 onwards, and signals for policy easing from mid 2023 onwards. Recently, policies were quite in line with those prescriptions and we hope to find out more about the likely steps ahead in the future and the guidance from Taylor rules for practical policy making and institution buliding with this first panel and todays event.