Index

adaptive expectations, 100–101
aggregate demand, 48, 96
  curve of, 47, 54–55
  depression of, 227
  impact of, 64
  relationship of, 45–46, 46f
aggregate savings, 46
AIG, 4
Alitalia, 85
American Finance Association, 125
America’s Bank (Lowenstein), 207
artificial intelligence, 235
asset prices, 238, 245
assets
  on balance sheet, 3
  business, 77, 79
  Cochrane on, 255
  government, 31–32, 31f, 77, 123
  long-dated, 38
  long-term, 13
  premiums on, 32–33, 37
  purchases of, 3
  QE on, 253–54
  risky, 7n5
  safe, 7, 228–29, 257–58, 282–83
  tax on, 11
  trading of, 236
Atkeson, Andrew, 64–65
authorities, 2
  discretionary, 16
  See also fiscal authorities

Baghdath, Walter, 242
Bai, Jennie, 34
bail-ins, 222, 226
bailouts, 8–9, 222, 224–25, 233
balance sheet, 2, 17t
  adjustments to, 240
  asset side of, 3
  Bullard on, 251–52
  of central bank, 164–65
  Cochrane on, 34–35, 40, 43, 249–50, 284
  composition of, 14–15, 23, 27
  concerns for, 32
  constraints on, 15
  Dotsey on, 36–37
  Duffie on, 34–35
  on economy, 255
  Evans on, 250–51
  Fisher, P., on, 37–38
  FOMC on, 13–14
  future for, 22–25
  as hedge fund, 8
  impacts on, 16–20
  institutions for, 3
  Krishnamurthy on, 37, 39
  liability side of, 4
  Liesman on, 42
  Nelson, W., on, 40–42
  operating regime of, 8
  Plosser on, 35–36, 39–40
  presentations on, 254–55
  purposes for, 8
  reduction of, 20–22
  risks for, 7–10
  Rosengren on, 252–53, 280–81
  Shultz on, 39
  size of, 5–7, 14–15, 17, 23–35
  structure of, 3–4
  Taylor on, 35, 40, 42–43
  with Treasury, 27–30
  wide-open, 250
  band, 24
  band pass filter, 72–73
  Bank of Canada, 198
  Bank of India, 220
  Bank of Israel, 210
Bank of Japan, 40, 167–68
banks
interest to, 5, 9
loans from, 18
losses of, 223–24
presidents of, 207
stress tests at, 265–66
See also central bank
Barrdear, John, 152
Bear Stearns, 4
behavioral economics, 187–88
benchmark
definition of, 219–20
policy, 86–87
rules for, 203–6, 210–11
of Taylor rule, 203
Benhabib, Jess, 110–11
Bernanke, Ben, 13, 21, 255–56
Bewley, Truman, 161
Beyer, Robert, 52–54
“big bazooka,” 225
Bismarck, 233
bitcoin, 134n7, 151n34, 151n35, 182
See also cryptocurrency
Bitcoin Unlimited, 135n9, 138, 142
Blanchard, Olivier, 165n66
Blockchain, 133
Blue Books, 203–4
Board of Governors, 9, 12–13, 108
Bogdanova, Bilyana, 55
boilerplate language, 196–97
bonds, 4n3, 230
demand for, 103
development, 8
government, 85–86
investors of, 241
joint liability, 225
junior, 229, 233
long, 241
senior, 229, 233
Bordo, Michael
on payments, 181, 185–86
on strategy, 220
Boskin, Michael, 217
Brazil, 103
Bretton Woods, 168, 210
Brexit, 222, 233–34
Brunner, Karl, 1–2
Brunnermeier, Markus
on euro crisis, 232–34
on ZLB, 125
Brussels, 229–30
budget, 91, 110–11
Bullard, James, 130, 198
on balance sheet, 251–52
on communication, 272
on forecasts, 280
on models, 269–70
on policy reform, 245, 271–72
on robustness, 267–68
on r-star, 256–58
on rules, 272–73
on safe assets, 282–83
on strategy, 255
on thresholds, 265
on Treasuries, 284
on ZLB, 260–63
business, 77, 79
See also start-ups
business cycle
stabilization of, 63–64
traditional, 72
Calvo parameter, 114–15
cameralism, 227–28
Cameron, David, 225
Canada, 214
capital, 78f, 224
allocation of, 62–63
business, 77, 79
private, 85–86
capital flow management, 187–88
capital investments, 79–80
Carnegie-Rochester Conference Series on Public Policy, 2
CBDC. See central bank digital currency
CBO. See Congressional Budget Office
central bank, 2, 97
balance sheet of, 164–65
challenges of, 219–20
comparison of, 200
development of, 55
digital currency and, 143–71
evolution of, 186
future of, 242–43
interest rate of, 62, 71–72
polices of, 205
reputations of, 168
responsibilities of, 167–68
central bank digital currency (CBDC), 144
account-based, 152
benefits of, 148–49, 168
CBDC accounts, 150–51
CBDC tokens, 150
challenges for, 170–71
cost of, 146
design of, 146–47
fiscal authorities and, 145–46
on inflation, 146–47
interest rate on, 164
interest-bearing, 158–59, 163
paper currency and, 154–55
strategy of, 153
“channel system,” 6
China, 183
CHOICE Act, 198
Christiano, Lawrence, 108, 113, 127–28
Clarida, Richard, 128–30
closed-economy model, 246
Cochrane, John, 191–92
on assets, 255
on balance sheet, 34–35, 40, 43, 249–50, 284
challenge to, 120–21
on forecasts, 265–66
on groupthink, 265
on models, 270
on natural rate, 83–85
on QE, 253–54
on r-star, 256
on strategy, 261
theories of, 104–6, 112–13
on Treasuries, 284
on ZLB, 123–29, 179–80, 260
Committee. See Federal Open Market Committee
committees
benefits of, 209–10, 210n20
communication in, 208–9
cooperation in, 246
decision process of, 207, 210, 264
deliberations in, 209–10
double votes in, 216
mandates in, 209
on policies, 207–10
principles of, 216–17
role of, 207–10
size of, 215–16
strategy of, 214
systems of, 208
See also Federal Open Market Committee
Commodity Futures Trading Commission, 153n38
communication, 241–42
Congress, US, 8–9
concerns of, 37–38
on laws, 244
Congressional Budget Office (CBO), 123–24
cost-benefit trade-off, 37
credit
allocation of, 8, 24–25
cryptocurrencies and, 137–38
policy on, 4, 37–38
credit cards, 146
credit rate, 6
cryptocurrency, 134
cryptocurrencies, 136, 180
cycle fail, 31
cybersecurity, 183
Cyprus bail-in, 222, 226–27
deflation, 87, 125
Consumer Financial Protection Bureau, 9, 10
Conti-Brown, Peter, 240–41
contingency planning, 220
cost-benefit trade-off, 37
deflation, 87, 125
deadline, 111
deck, 111
section, 111
decision process of, 207, 210, 264
deliberations in, 209–10
debt
government, 38, 77, 180
long-term, 95–96, 217
market value of, 96
restructuring of, 223, 226
return of, 103
short-term, 31–32, 91
debt restructuring, 223
debt-to-GDP ratio, 123
Decentralized Autonomous Organization, 135n8
deflation, 87, 125
decision process of, 207, 210, 264
deliberations in, 209–10
debt
government, 38, 77, 180
long-term, 95–96, 217
market value of, 96
restructuring of, 223, 226
return of, 103
short-term, 31–32, 91
debt restructuring, 223
debt-to-GDP ratio, 123
Decentralized Autonomous Organization, 135n8
deflation, 87, 125
Del Negro model, 57
demand curve, 225–26
democracy, 2, 209–10, 251
depository services, 25
diabolic loop, 228–29
digital currency
  central bank and, 143–71
  concerns for, 179–80
  implementation of, 184–86
  interest rate on, 181–82
discount rates, 103–4, 189–90
disinflation, 188–89, 198
dispersion, 28–29
distributed ledger, 133–36, 136n10
distributed ledger technology (DLT), 150
distribution, 71
diversification, 9
dividends, 123–24
DLT. See distributed ledger technology
DNWR. See downward nominal wage rigidity
Dodd-Frank, 244
dominant economic framework, 246
dominant model, 246
dot plan, 275
Dotsey, Michael
  on balance sheet, 36–37
  on natural rate, 81–83
downward nominal wage rigidity (DNWR), 160–61
Draghi, Mario, 58–59, 221–22, 225
DSGE. See dynamic stochastic general equilibrium
Duca, John, 185
Duffie, Darrell, 28, 30, 34–35
dynamic stochastic general equilibrium
  (DSGE), 47, 152, 191
Dyson, Ben, 152–53
easing, 87
ECB. See European Central Bank
econometric derivation, 205
econometric estimates, 94–95
economy
  balance sheet on, 255
  challenges for, 247
  closed-economy model, 246
  comparative conditions of, 211
  growth of, 18, 42
  inflation on, 260–61
  innovation economy, 235
  interest rates on, 34, 89–90, 189–90
  new conditions of, 205–6
  politics and, 10, 227, 244
  resilience of, 236
  shocks on, 236–37
  US, 64, 90f
Eichenbaum, Martin
  on natural rate, 85–86
  on regulatory policy, 281–82
  on ZLB, 127–30
electronic money, 102
equilibrium rate, 47
  long-run, 48, 82
  medium-run, 48–49
equilibrium real interest rate, 45–46
  decline of, 51
  impacts on, 55
  medium-run nature, 47–48
  short-run, 47
  time horizons on, 47
  time-varying, 59
equilibriums
  learnable, 129
  multiple, 110–13
  value of, 109–10
  See also rational expectations equilibrium
Erceg, Chris, 127
ESBies. See European safe bonds
Ethereum, 138, 142, 150n32
euro, 48, 52–53
devlopment of, 233
dollar into, 179
The Euro and the Battle of Ideas
  (Brunnermeier and James), 221
euro crisis, 228–29
  Brunnermeier on, 232–34
  Mulford on, 233
  Wieland on, 231–32
Eurobonds, 225, 229, 233
Europe, 89, 103
  challenges in, 227
  continental, 234
European Central Bank (ECB), 8–9, 167, 217–18
European Commission, 221
European Council, 221
European junior bond, 229–30
European safe bonds (ESBies), 229–30
European senior bond, 229–30
European Union, 227
Evans, Charles, 199, 265
  on accountability, 272–73
  on balance sheet, 250–51
  on currency, 268–69
  on forecasts, 279–80
  on purchases, 255–56
Index

on risks, 278–79
on strategy, 259–60, 263–64
on Treasuries, 284
ex post patches, 101–2
exchange
efficient medium of, 146, 149–55
fixed rates of, 224
flexible rate of, 189
government on, 136–37
pegged rates of, 224
stability of, 136–37
exchange rate
concerns of, 194
volatility of, 224, 252
federal funds rate, 21f, 55
adjustment of, 208
behavior of, 202–3
futures market of, 106–8, 107f
impact of, 205n12
long-term, 252
Federal Open Market Committee (FOMC), 5–6, 12, 40, 65, 162n60, 162n61
on balance sheet, 13–14
communications in, 209
decisions from, 201
diversity in, 215
flexibility in, 209
framework of, 207–8
goals of, 207
impact of, 217
intentions of, 247
strategy of, 21–23, 193, 198–99
Federal Reserve, US (Fed)
authority of, 244
challenges of, 245
communications of, 244
contribution from, 8
credibility of, 242
financial crisis and, 238
framework of, 239
functions of, 239
future of, 254–57, 272–73
groupthink at, 245
independence of, 2–3, 9
liquidity support from, 24
mandates of, 3, 33
market and, 11
notes from, 18
outlook of, 237
on payment systems, 131–32
on population growth, 261
on productivity growth, 261
reform in, 271–72
regulations of, 239–40
responsibilities of, 237
role of, 12–16
staff of, 203–4
strategy of, 197, 239, 255
trust in, 181
Federal Reserve Act, 15, 84–85, 197
Federal Reserve Board of Governors, 63, 65, 189, 193–94
Federal Reserve Board San Francisco, 50–51
federal structure, 227
Fernández-Villaverde, Jesús, 137n11, 139, 169, 180–85
financial accelerator, 191, 199
Financial CHOICE Act, 193–94
financial crisis, 16–17, 170–71, 205
Federal Reserve and, 238
impact of, 220
predicting, 266
recovery of, 260
See also recession
financial friction, 199
financial institutions, 193
financial market, 3, 238
financial market utilities (FMUs), 147, 153
financial stability, 14–15, 31, 41, 228
FINRA rule requirements, 134–35
fiscal authorities, 9, 16, 39–40, 167–68
CBDC and, 145–46
fiscal foundations, 103–4
fiscal multiplier, 117–20, 118f, 119f
fiscal theory, 92–93
Fischer, Stanley, 189–92, 214–20
Fisher, Irving, 85
Fisher, Peter, 23, 181, 184–85
on balance sheet, 37–38
proposal of, 218
Fisher equation, 63–64
Fisherman, 98, 117
floor system, 6–7, 24, 41–42
control of, 13
firm, 11–12
FMUs. See financial market utilities
FOMC. See Federal Open Market Committee forecast
Bullard on, 280
challenges to, 261
Cochrane on, 265–66
confidence interval, 237
Evans on, 279–80
of GDP, 108
of Green Book, 108
Index

forecast (continued)
of inflation, 64–67, 88
point, 265–66
of real rate of interest, 86–87
traits for, 237
unanimity of, 236
See also Stock-Watson forecasts
forecast targeting, 148
foreign banks, 10, 11
framework, 15, 23–24, 35–36
France, 73–74
attack on, 228
straitjacket commitments of, 223–24
strategy of, 222–25
war in, 228
FRB/US model, 196, 198, 245
Frederick the Great, 227–28
free capital flows, 224
frictions, 95, 97, 101–2
Friedman, Milton
advocacy of, 205n14, 206n14
on natural rate, 84
on ZLB, 126, 141n13, 146, 188–89
funds rate, 5, 35–36, 40–41
average of, 28
average real federal, 58
control of, 12–13
prescriptions of, 59–60
short-term risk-free, 6
See also federal funds rate
futures market, 106–8, 107f
Gabaix, Xavier, 114
Gabaix model, 114, 119f
Gabaix-style behavioralism, 114
Garnier, J., 52–53
GDP. See gross domestic product
geopolitical security, 234
Germany, 52–53, 73–74
attack by, 228
federal structure in, 227
strategy of, 222–25
war in, 227–28
gold standard, 187–88
government
assets of, 31–32, 31f, 77, 123
bonds of, 85–86
on cryptocurrencies, 141–42
debt of, 38, 77, 180
on exchange, 136–37
securities of, 31–32
tax revenue of, 223–24
government-sponsored enterprises, 20
Great Convergence, 198
Great Depression, 255–56
Great Inflation, 168
Great Moderation, 190, 265–66
Great Recession, 62, 104–5, 109, 196
Greece, 221, 223, 226
Green Book, 32, 108
Greenspan, Alan, 163n63, 202–3, 220
gross domestic product (GDP), 46, 59–60
borrowing against, 104
forecasts of, 108
growth rate of, 49, 86–87
paper currency and, 154
patterns with, 72–73
price index of, 166–67
groupthink, 245–46, 264–65
Hansen, Gary D., 71–72
Hayek, F. A., 136–37, 139–40
hedge fund, 8
Heller, Robert, 198, 215, 220, 277
high equity premium, 85–86
high-quality liquid assets (HQLA), 41
Hodgson, Graham, 152–53
Hodrick, Laurie, 180, 183
Hodrick, Robert "Bob," 179, 182, 183
Hofmann, Boris, 55
Holston, K., 48, 51
honeypot, 39
Hoover Institution, 1, 235
Hoover Institution Monetary Policy Conference, 236
House Financial Services Committee, 193–94
housing sector, 4
HQLA. See high-quality liquid assets
Hyperledger, 133
IMF. See International Monetary Fund
IMF–World Bank meetings, 187–88
incentives, 40
independence
comprising of, 10
of Fed, 2–3, 9
independent agencies, 25
inflation, 42, 81
causes of, 43
CBDC on, 146–47
dangers of, 64
decline in, 94–95
on economy, 260–61
estimate of, 55
forecasts of, 64–67, 88
goals for, 168n70
impact on, 252
interest rate on, 94–98, 95f, 96f, 103–4
Index

in Japan, 130
measure of, 236
nominal interest rate on, 114–17
numerical objectives of, 162–63
outcomes of, 88
personal consumption expenditures, 53–54
Phillips curve on, 104
response of, 115f
stability of, 91–92, 100–101
target rate of, 111, 199
theories of, 90
unemployment rate on, 65–67
inflation gap, 196
inflation targeting, 214–15
infrastructure initiatives, 8
innovation economy, 235
institutions
for balance sheet, 3
depository, 35–36
design of, 39–40
non-depository, 35–36
policy on, 2
interest on excess reserves (IOER), 20, 23, 30, 41
interest rate
average, 82
to banks, 5, 9
on CBDC, 164
of central bank, 62, 71–72
control of, 34
on digital currencies, 181–82
economy on, 34, 89–90, 189–90
flexible-price, 81–82
future, 120
inflation on, 94–98, 95f, 96f, 103–4
long-run, 81
market-determined, 23–24, 26
negative, 199
neutral, 208–9
pass-through of, 43
policies of, 64
reserves and, 6–7, 10, 13–15, 24–25
response of, 115f
Rosengren on, 254–55
short-term, 24, 201–2
as stabilization tool, 62–64
steady-rate, 48
for Treasury, 34
in United States, 103–4
See also equilibrium real interest rate;
natural real interest rate; nominal interest rate
interest rate paid on reserves (IOR), 6–7, 9–10, 12–13, 169
international financial system, 25
International Monetary Fund (IMF), 229–30
international spillovers, 239
"intertemporal," 91
intervals, 56–57
intraday volatility, 36–37, 41
investments, 77, 79
demand on, 46, 55
policy on, 9
IOER. See interest on excess reserves
IOR. See interest rate paid on reserves
Israel, 216
Italy, 86
Jacobson, Louis S., 70–71
James, Harold, 221
Japan, 89, 99, 103, 200
future for, 263
inflation in, 130
JEC. See Joint Economic Committee
Johansen, Benjamin, 113
Joint Economic Committee (JEC), 272
Journal of Money, Credit, and Banking and the Journal of Monetary Economics, 1
Journal of Political Economy, 189
Judd, Kenneth, 129
Kahn, George, 24
Keister, Todd, 25
Kenya, 149, 153
Keynesian stimulus, 227
Keynesian-style model, 48
Kim, Don H., 106, 108
Kohn, Donald, 24, 203–4
Krishnamurthy, Arvind, 37, 39
Krugman, Paul, 51–52
Kumhof, Michael, 152
Lagos, R., 140
Lagos and Wright model, 139
Lalonde, Robert J., 70–71
Landau, Jean Pierre, 221
Laubach, Thomas, 47–52, 179
Laubach-Williams medium-run r-star estimates, 53, 58
Laubach-Williams method, 54
layoffs, 70–71
learning model, 118–19
Leeper, E. M., 269
legislation, 13
Levin, Andrew
on natural rate, 86–88
on rules, 218–20
on ZLB, 123–24, 127, 166, 181–85
liabilities
  on balance sheet, 4
  joint, 225, 229, 233
  managed, 189–90
  short-dated, 38
  solidarity against, 224
  value of, 224–25
LIBOR, 41
Liesman, Steve, 42
Linux Foundation, 133
liquidity
  of bail-ins, 226
  benefits of, 34
  problems with, 225–26
  Rosengren on, 283–84
  support from, 18
liquidity coverage ratio rule, 34–35, 41
Lockhart, Dennis, 279
London School of Economics, 206
long-run components, 72–75, 72f, 73f, 74f, 75f, 76f
long-term repos, 11
Lowenstein, Roger, 207
Lucas, Robert E., Jr., 69–70, 109–10
Maastricht Treaty, 224–27
  battle lines during, 228
  negotiation of, 228–29
macro evidence, 42
macro models, 36–37
macroeconomics, 187–88
  aggregate conditions of, 238
  challenges to, 259–60
  fluctuations of, 71–76
  goals of, 211
  instability of, 169
  microfoundations of, 239
  modern, 256–57
  policy of, 237
  stabilization of, 71–72
  variables of, 63–64
mandates, 217
  in committees, 209
  of Fed, 3, 33
  of Treasury, 33
market
  active interbank, 250–51
  challenges for, 21–23
  common, 234
  efficient, 245
  Fed and, 11
  fed funds, 6
  free-, 227–28
  guidance to, 239
  open, 38
  market prices, 245
  market value, 96
  marketing, 71
  maturity mismatch, 37–39
  MBS. See mortgage-backed securities
  McCallum, Bennett, 202
  McKay, Alisdair, 120
  Melosi, Leonardo, 269
  Meltzer, Alan, 2
  Melvin, Michael, 182
  Merkel, Angela, 221, 225
  Michaelis, Henrike, 192
  Michelson-Morley moment, 104–8, 121–23
  military power, 234
  models
    Bullard on, 269–70
    Cochrane on, 270
    comparison of, 82–83, 190–91, 194, 199, 263–64
    confidence in, 86
    regime-switching, 257
    steady state, 262–63
  monetarism, 1, 105, 126, 202
  monetarist theory, 91
  monetary analysis, 202n3
  monetary control, 169
Monetary History (Friedman and Schwartz), 126
  monetary policy framework, 162–68
  monetary transmission mechanism, 30
  monetary-fiscal interactions, 167–68
  money, 24–25, 139–41
  See also currency; electronic money
  money growth, 196–97
  money-market
    rates of, 28–30, 29f
    short-term, 14–15
  mortgage-backed securities (MBS), 3–4, 40, 250, 255
  moving average, 78f
  MPS model, 196
  Mt. Gox, 135n8
  Mulford, David, 184, 233
  Mundell-Fleming trilemma, 224
  mutual funds, 20
NIRAU. See non-accelerating inflation rate of unemployment
Nakamura, Emi, 120
narrow bank, 181–82
national sovereign bonds, 229
natural rate, 81–88
natural real interest rate, 45–46
growth of, 49–50
medium-run, 57
short-run, 47
Nazis, 228
negative short-run impact, 95
Nelson, Bill, 196–97
Nelson, Edward, 81–82, 125–26
Nelson, William, 40–42
“neo-Fisherian” hypothesis, 94
neutral equilibrium real short-term interest rate. See r-star
New Keynesian-style model (NS), 81–82, 91–93, 191–92
assumptions of, 188–89
challenge to, 99–101
implications of, 108–9
nonlinear version of, 113–14
predictions of, 94
Robustness Principal to, 113
New York Fed, 23
New York Times, 51–52
Nicolaisen, Jon, 169
9/11, 24
nominal anchor, 162–63
nominal interest rate, 62, 81, 84–85
buffer for, 253
inflation on, 114–17
transitory increases in, 116–17
non-accelerating inflation rate of unemployment (NAIRU), 53, 67–68, 236
nonrobustness, 120
normalization, 193, 251–52
Norman, Montagu, 241
NS. See New Keynesian-style model
Obstfeld, M., 140
Occam’s razor, 98–102
Ohanian, Lee E., 64–65, 85–86, 88
Okun’s law, 53–54
Old Keynesian models, 188–89, 191–92
Olympic Games, 221–22
omitted variable bias, 54–55
OMT. See Outoht Monetary Transactions
ON RRP. See overnight reserve repurchase
Ordoliberal, 228
output gap
long-run, 53–54
measurement of, 54
Outright Monetary Transactions (OMT), 225
overnight reserve repurchase (ON RRP), 19–20, 35
package approach, 193–94
Papell, David, 196
paper currency, 149–50, 182–83
CBDC and, 154–55
GDP and, 154
payment systems, 134–36
central, 131–32
efficiency of, 133
Fed on, 131–32
improvement of, 132–33
payment finality of, 133
reliable, 179
safety of, 132
speed of, 132–33
ubiquity of, 132
unbanked people with, 179
pecuniary externalities, 140–41
Phelps, Ned, 189
Phillips curve, 65–68, 66f, 67f
disappearance of, 71
existence of, 187
on inflation, 104
relationship of, 48, 54–55
stability of, 69–70
support for, 79
pi-star, 84
Plaza Accord, 200
Plosser, Charles, 2n1, 24–25, 32, 274
on balance sheet, 35–36, 39–40
on dot plan, 275
on rules, 275–76
on tail risks, 276–77
policy
benchmarks of, 86–87
for central banks, 205
challenges for, 15
committees on, 207–10
conference on, 187–88
credit, 4, 37–38
debt-financed, 4
financial system regulatory, 79–80
implementation of, 5
on institutions, 2
on interest rate, 64
investment, 9
of macromacomics, 237
macro-prudential, 239–40
measuring of, 49
micro-prudential, 239–40
off-budget, 8, 15
outcome-based, 259–62
public, 244–45
on QE, 255
Index

policy (continued)
  regulatory, 281–82
  rule prescriptions of, 203–4
  rules in, 201–3
  rules-based, 193
  stabilization, 260–61
  strategy of, 165–67
  supervisory, 271
  thresholds for, 265
  trust in, 102
See also regulations
policy makers, 194, 237
policy reform
  Bullard on, 245, 271–72
  communications for, 241
  governance of, 240–41
  Saphir on, 244
  strategy for, 238–39
  tools for, 239–40
  Warsh on, 244–47
See also Federal Reserve, US
political independence, 16
politics, 10, 227, 244
Powell, Jerome H., 24
premiums
  asset, 32–33, 37
  equity, 85–86
  liquidity, 33
price
  of money, 140–41
  setting of, 12
price index, US, 163n64, 166–67
price level model, 112f
  fiscal theory of, 119–20, 124, 268–69
  theory of, 92–93
 "price puzzle, " 98
price signal, 39
price stability, 84–85, 140, 159
  benefits of, 148–49
  statutory, 236
  true, 146n19
price stickiness, 70–71, 125
price-level targeting, 161
  indeterminacy of, 202
  rule of, 164–65
pricing technologies, 71
Princeton University, 221
private money, 139–40
See also cryptocurrencies
private sector unionization rate, 70
Prudentissimus, Julius Paulus, 143, 143n14
quantitative easing (QE), 3, 25, 240, 245
  on assets, 253–54
Cochran on, 253–54
  concerns of, 42, 252
  impact of, 4, 18–19
  policy on, 255
  value of, 250
quantitative strategy, 220
quantity theory, 202
"Ramsey planners," 2
rates
  increases of, 240
  of money-market, 28–30, 29f
  natural, 81–88
  short, 82
  target of, 5–6, 30
See also exchange rate; federal funds rate;
  funds rate; interest rate; natural rate;
  private sector unionization rate; unemploy-
  ment rate
rational expectations equilibrium, 105, 110, 118–19
real rate of interest, 83–87
real-time mis-measurement, 50
real-time rolling-window estimates, 57–58
recession, 3, 66, 252
reform. See policy reform
reform bills, 13
reforming banking, 79–81
regimes, 257
regression coefficient, 66–67
regulations, 35
Reifschneider-Williams approach, 198
reserves
  balance of, 19f, 21f, 27–28
  currency and, 24–25
  decline in, 18–19
  demand for, 5–6
  excess, 7
  growth of, 4
  importance of, 42
  interest rate and, 6–7, 10, 13–15, 24–25
  money and, 24–25
  normal for, 249–50
  rationing, 34
  requirements of, 28, 30, 35
  size of, 26
  supply and demand of, 20, 24
  volatility of, 28, 35
returns
  to capital, 78f
  of debt, 103
pre-tax, 77
raw, 78f
on savings, 76–77
revanchism, 238
reverse repo facility, 183
reverse repo program (RRP), 11–12, 27–28, 30, 36, 41
reverse repurchase agreements, 4n2, 147n24
risk management, 9
risk premiums, 106, 108
risks
  on assets, 7n5
  for balance sheet, 7–10
  Evans on, 278–79
  Heller on, 277
  term, 254
RMSE. See root mean square error
robustness, 196, 199
  Bullard on, 267–68
to disparate economic views, 190–92
Robustness Principal, 113
Rogoff, K., 140
rolling-window estimates, 57f
Rome, 143–44
root mean square error (RMSE), 64–65
Rosengren, Eric
  on balance sheet, 252–53, 280–81
  on interest rates, 254–55
  on liquidity, 283–84
  on r-star, 258–59
  on rules, 270–71
  on strategy, 261–62
  on stress tests, 266–67
  on tail risks, 278
Rotemberg, Julio, 125–27
RRP. See reverse repo program
r-star, 45–49
  adjusting, 55
  assessment of, 247
  Bullard on, 256–58
  Cochrane on, 256
  concerns about, 62–121, 76
  decline of, 57–59
  discussion of, 199, 205
  disparate views on, 192–93
  estimates of, 50f, 51–52, 51f, 52f, 128–29, 258–59
  impact of, 256–57
  inconsistencies of, 54f
  level of, 62, 79
  long-run, 55–56
  low, 236
  measurement of, 81
  medium-run, 50–51
  Rosengren on, 258–59
  sensitivity of, 53
  time-varying, 52
view on, 63–71
See also Laubach-Williams medium-run r-star estimates
rules, 82–83, 86–87
  for benchmarks, 203–6, 210–11
benefits of, 220
Bullard on, 272–73
committee decisions compared to, 210
compromises in, 214
contingents of, 220
decisions compared to, 206
as law, 215
learning, 129–30
Levin on, 218–20
mega-, 198
Plosser on, 275–76
in policy, 201–3
prescription of, 210–11
on purchases, 255
Rosengren on, 270–71
strategies of, 214–15
See also Taylor rule; Yellen-Taylor rule
Russia, 234
Russian oligarchs, 226
Safaricom Ltd., 149n28
sample periods, 57–58
Samuelson, Paul, 190–91
Sanches, D., 137n11, 139, 169
Sannikov, Yuliy, 125
Saphir, Ann, 244
Sarkozy, Nicolas, 221
savings, 76–77
savings-investment relationship, 47
Sayers, Richard, 206
SBBB. See sovereign bond-backed security
Schembri, Larry, 184, 200
Schmitt-Grohe, Stephanie, 110–11
Schorfheide model, 57
Schwartz, Anna, 126
secular stagnation, 64, 76–80, 261
secure store of value, 155
  constant nominal value, 156
  interest-bearing CBDC, 158–59
  stable real value, 157
securities
  borrowing, 11
  financially engineered, 32
  financing, 19–20
government, 31–32
  impacts on, 37
  mortgage-backed, 18
private, 31–32
private-sector, 4
Index

Index

reduction of, 20–22
short-term, 32
SEP. See Summary of Economic Projections
Seru, Amit, 81
Shadow Open Market Committee, 2
Shin, Hyun-Song, 55
shocks, 82, 235
booms, 245
busts, 245
damage from, 236–37
on economy, 236–37
impact of, 255–56
monetary policy, 114–17
risk-premium, 58–59
transitory demand, 71
short-run components, 72–75, 72f, 73f, 74f, 75f, 76f
short-run demand management, 79
Shultz, George, 39, 189, 217
Siklos, Pierre, 186
Silicon Valley, 235
Silk Road, 134n7
Smets-Wouters model, 56–58, 57f
Smith, Adam, 142
SNB. See Swiss National Bank
sociology, 128
Solow, Robert “Bob,” 190–91
sovereign bond-backed security (SBBS), 229–30
sovereign bonds, 224
sovereign debt crisis, 269
Spain, 73–74
spreads, 30
stability factors, 7
stabilization tool, 62–64
stable quiet inflation, 93
stable unit of account, 159–62
Stanford University, 192
start-ups, 79–80
steady state, 111–12, 112f
steady-state equilibrium, 113
Steinsson, Jon, 120
Stock, James, 65–66, 69
stocks, 40
price of, 124–25
settlement cycle for, 133n4
Stock-Watson forecasts, 65–66
straitjacket commitments, 223–25
strategies, 5–6
Evans on, 259–60, 263–64
for reform, 238–39
structural response functions, 99–100
Sullivan, Daniel G., 70–71
Summary of Economic Projections (SEP), 252, 273–74
Summers, Lawrence, 50–52
sunspots, 92, 98–99
supply and demand, 97
Supreme Court, US, 215
surplus, 103
Sveriges Riksbank, 144n16, 152
Swanson, Eric T., 106
Swiss National Bank (SNB), 1, 9
systematic measurement bias, 160–61, 160n54
systematic policy evaluation, 194
systemic risks, 170, 240
tail risks, 235n1, 239, 276–78
“taper tantrum,” 21
tapering, 21
tax policy, 66
tax revenue, 223–24
Taylor, John B., 21, 23, 32, 49
on balance sheet, 35, 40, 42–43
on models, 196–200, 214
research of, 202
Taylor rule, 53–54, 111–12, 165–66, 192
alternates for, 260
benchmark of, 203
strategy with, 218–19
T-bill, 30
Teal Books, 203–4, 266–67
technology, 197
term structure models, 31
Tetlow, Robert, 196
time-series methods, 48, 53
Tobin, Jim, 188–89
tokens, 150–52
TPS. See Treasury inflation-protected securities
Trabandt, Mathias, 108
trade, 234
Treasuries
bills from, 58
Bullard on, 284
Cochrane on, 284
Evans on, 284
holdings of, 4n3
interest rates on, 34
long-term, 254
portfolio of, 10
real rate of, 76–77, 77f
selling of, 4
short-term, 7n5
value of, 96
Treasury Department, US, 3, 27–30, 240
Treasury inflation-protected securities (TIPS), 128
Treasury securities, 3, 18
  trends  
  forward looking, 239  
  population growth, 253  
  productivity growth, 85, 253  
  total facet, 236n2  
  volatility of, 257  
true price signal, 148
Trump, Donald, 234
Turkey, 103

unemployment rate, 42, 53–54, 67f, 68f, 69f
  on inflation, 65–67  
  labor force, 257–58  
  trends in, 160–61  
  See also layoffs; wages
unionization, 70
United Kingdom, 89, 234
United States (US), 89
  economy of, 64, 90f  
  history in, 220  
  interest rates in, 103–4
University of Rochester, 1
Uribe, Martin, 110–11
US. See United States

values, 48
venture community, 242
Vissering-Jorgensen, Annette, 31
Von Wachter, Till, 70–71

wages  
  nominal, 70–71  
  rigidities of, 85
Wall Street, 18
Walsh, Carl, 81
Warsh, Kevin, 244–47
Watson, Mark, 65–66, 69
Weber, Max, 222
Weymuller, Charles-Henri, 34
Wieland, Volker, 52–57, 86, 192, 196
  on euro crisis, 231–32  
  on natural rate, 81–83, 87–88
Wilhelmsen, B. R., 52–53
Williams, John C., 47–55, 58, 82–83, 106, 198
Wolters, Maik, 55–57
Woodford, Michael, 13, 125–27
World War II, 227–28
Wright, Jonathan, 106, 108, 140

Yellen, Janet, 51–54, 59, 83–84, 128, 192
Yellen-Taylor rule, 54
yield curve, 251

zero interest rates, 92
zero lower bound (ZLB), 62–64, 93–94, 198
  alternative to, 254  
  as binding, 117–20  
  Bullard on, 260–63  
  Cochrane on, 123–29, 179–80, 260  
  fear of, 102  
  fiscal multiplier in, 117–20, 118f, 119f  
  quiet, 99–102, 105–6, 123–30, 262  
  targeting, 252–53, 258–59