Inaugural Lecture
International Francqui Chair

Karel Mertens

FRB Dallas, CEPR

Université de Namur, April 18, 2023

Activities of the international chair

Inaugural Lecture & the medal of the International Francqui Chair
When: **18/04/2023** (6pm)
Where: Namur

International Symposium
When: **08/05/2023** and **09/05/2023**
Where: Nationale Bank of Belgium (NBB) in Brussels

Confirmed international speakers at the international symposium.
Regis Barnichon (San Francisco Fed), Jeff Campbell (Tilburg University),
Daniel Lewis (University College London), Silvia Miranda-Aggripino (Bank of England),
Gernot Mueller (University of Tuebingen), Giorgio Primiceri (Northwestern University),
Morten Ravn (University College London), Sarah Zubairy (Texas A&M University).

Class of Excellence
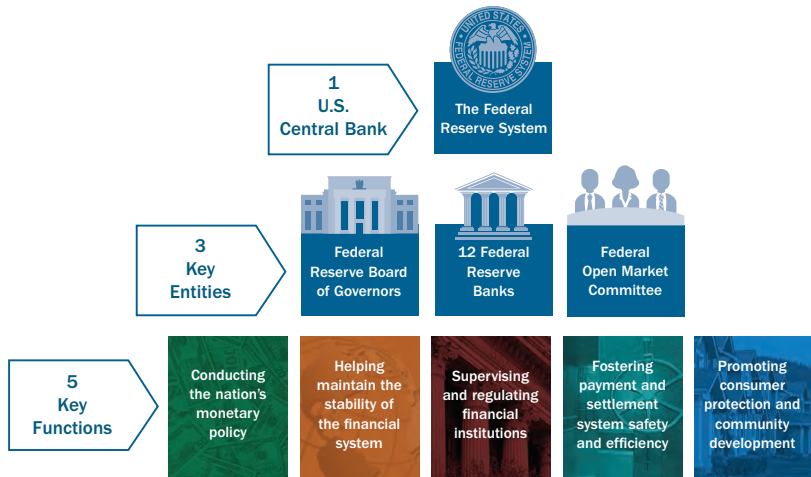When: **25/04/2023, 27/04/2023, 10/05/2023, 11/05/2023**
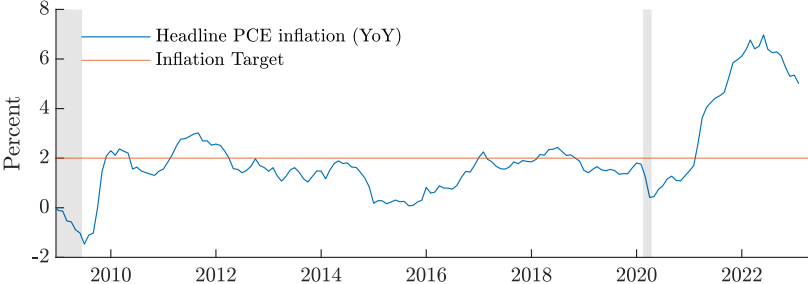Where: Namur, Gent, Leuven, Antwerp

Organizers
Jan Bouckaert (UAntwerp),Ferre De Graeve (KU Leuven),
Romain Houssa (UNamur), Leonardo Iania (UCLouvain),
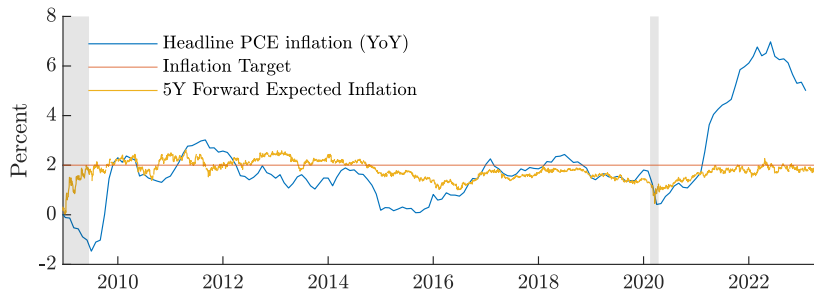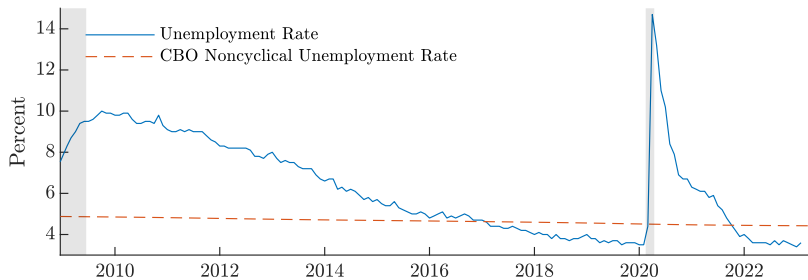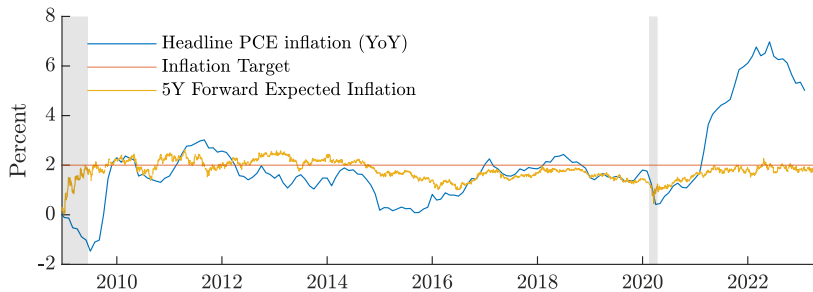Gert Peersman (UGent), Raf Wouters (NBB)

Research at the Fed

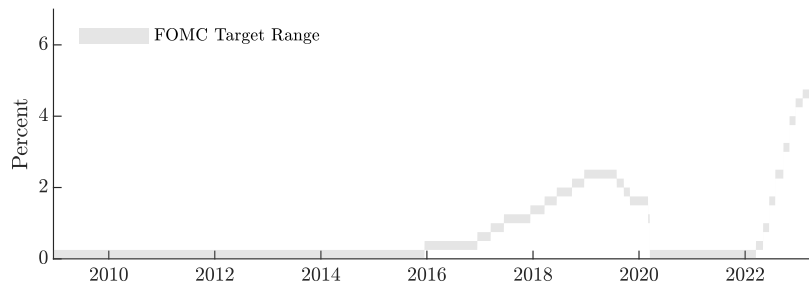# Monetary Policy Objectives: Price Stability

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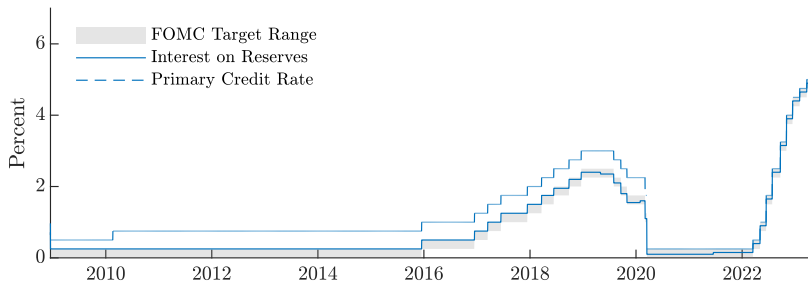# Monetary Policy Objectives: Price Stability and Maximum Employment

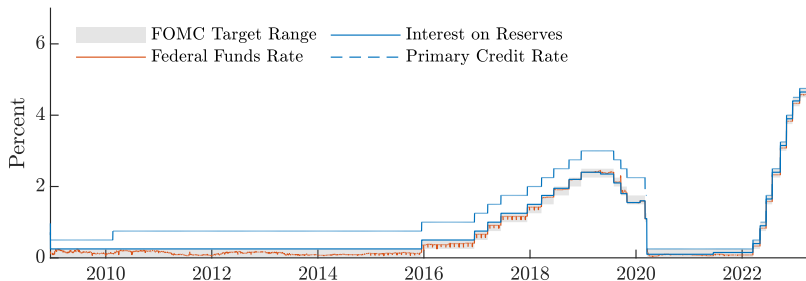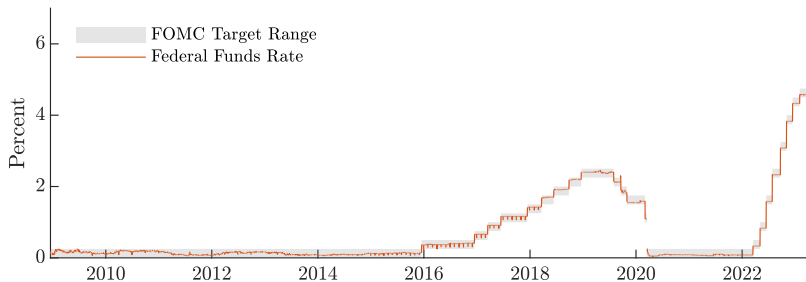# The Interest Rate Tool and Monetary Transmission

FOMC monetary
policy decision

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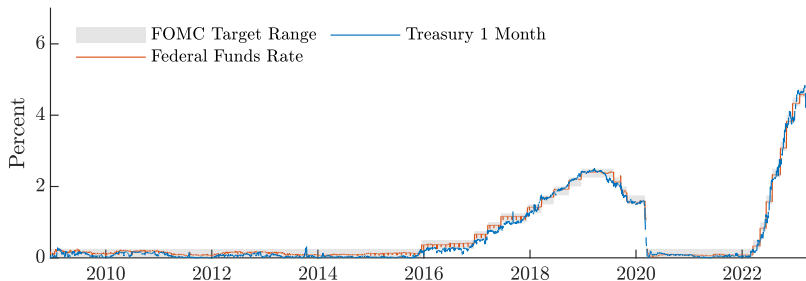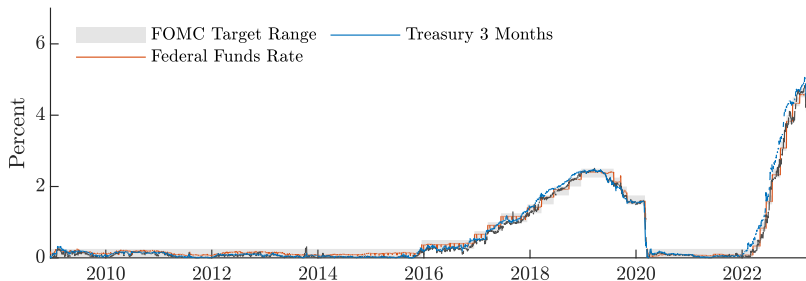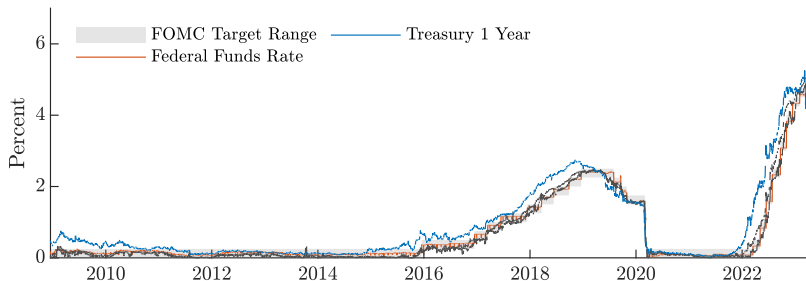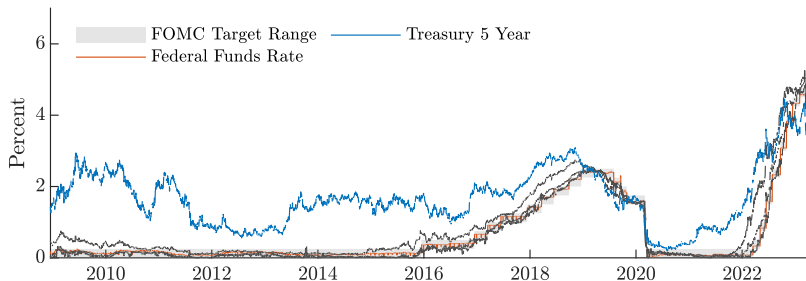

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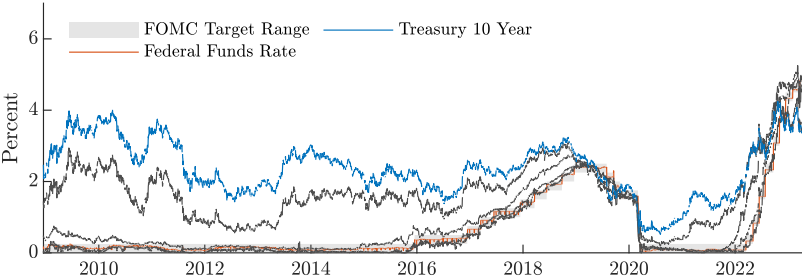# The Interest Rate Tool and Monetary Transmission

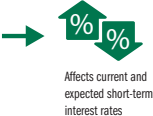# The Interest Rate Tool and Monetary Transmission

FOMC monetary policy decision → Affects current and expected short-term interest rates → Affects overall financial conditions

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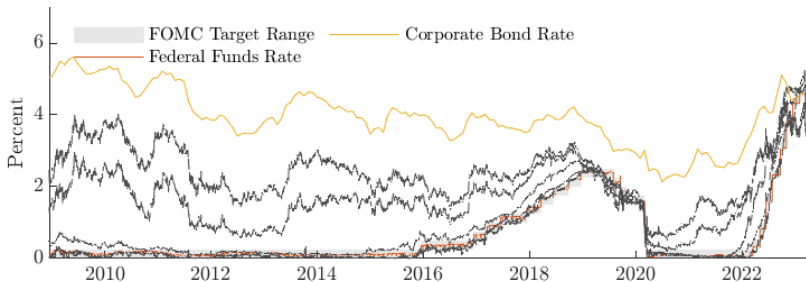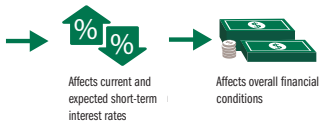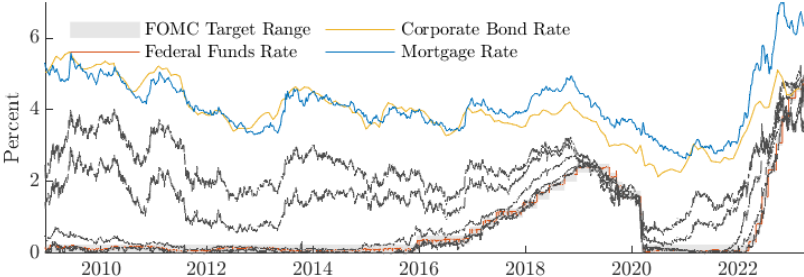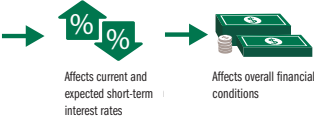
The Interest Rate Tool and Monetary Transmission

Other Tools: Forward Guidance

Other Tools: Forward Guidance and Asset Purchases
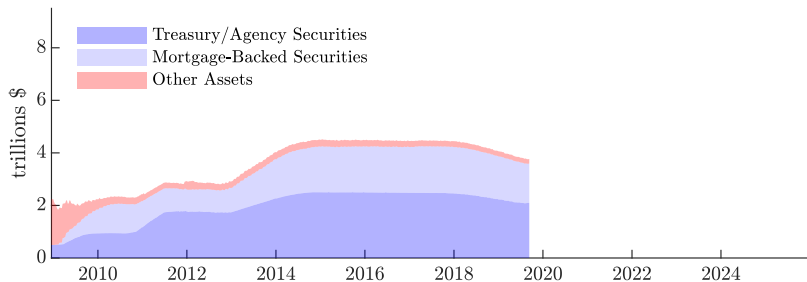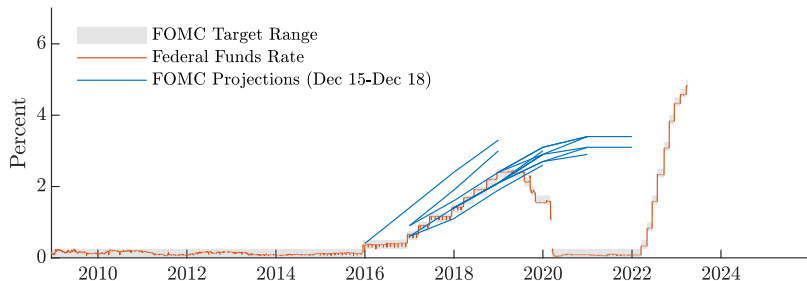
Other Tools: Forward Guidance and Asset Purchases

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Top panel legend:
- FOMC Target Range
- Federal Funds Rate
- FOMC Projections (Dec 15-Dec 18)
- FOMC Projections (2019 meetings)
- FOMC Projections (Pandemic)
- FOMC Projections (Since Dec 21)

Top panel y-axis: Percent

Bottom panel legend:
- Treasury/Agency Securities
- Mortgage-Backed Securities
- Other Assets
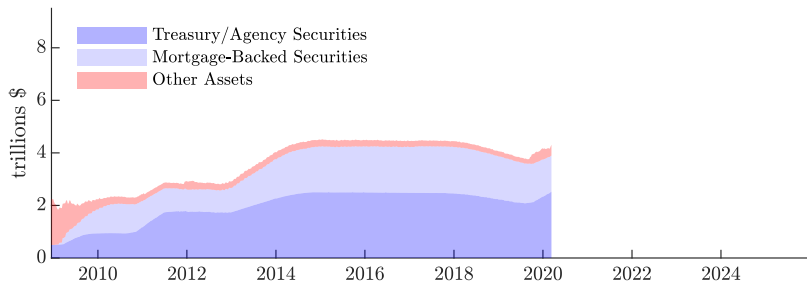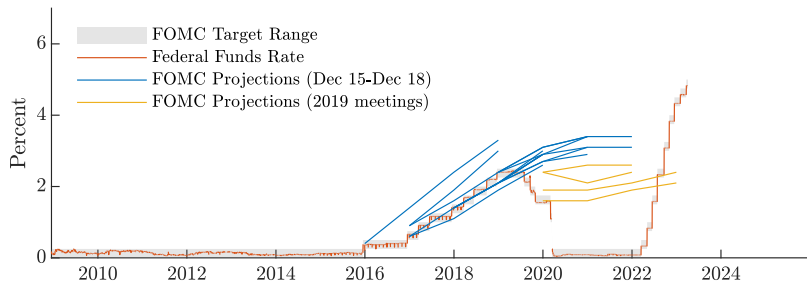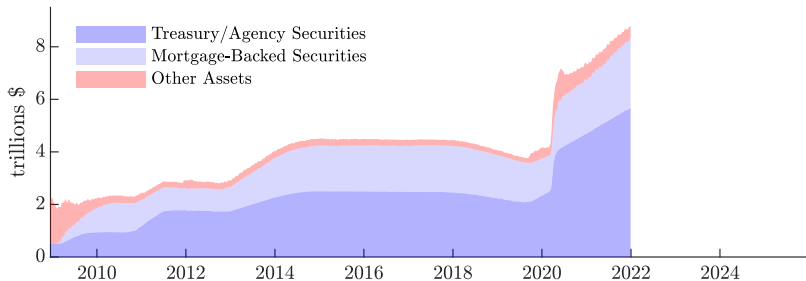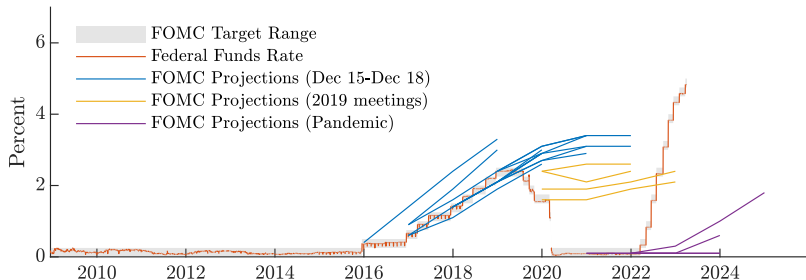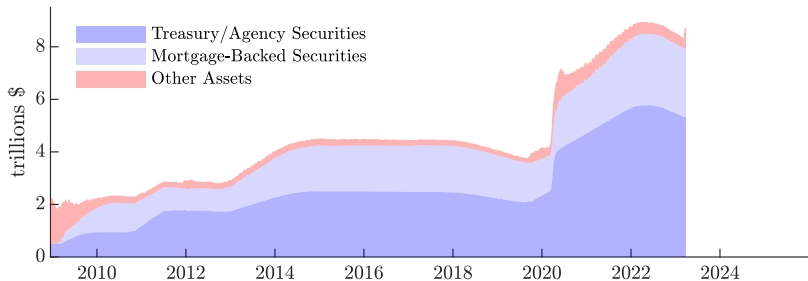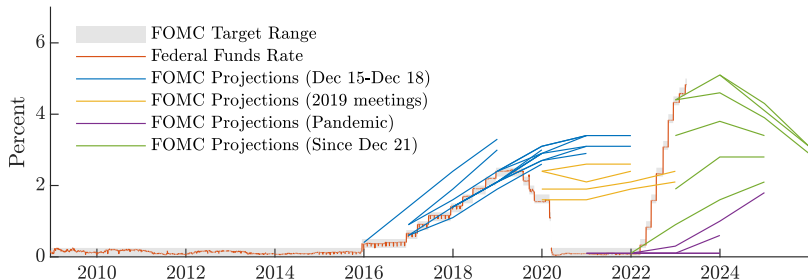
Bottom panel y-axis: trillions $

- Effects of Monetary Policy

- Systematic Monetary Policy

- Employment and Inflation Dynamics

The Dynamic Causal Effects of Monetary Policy Decisions
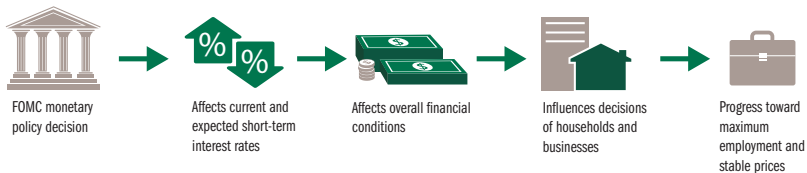
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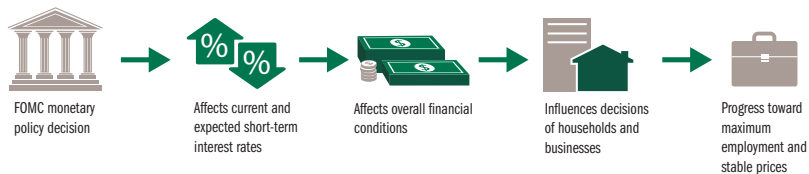
Some key challenges:

- Reverse causality (observational data only)

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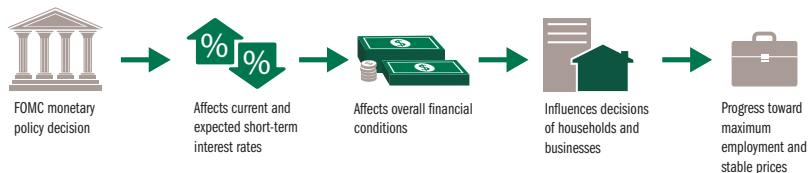
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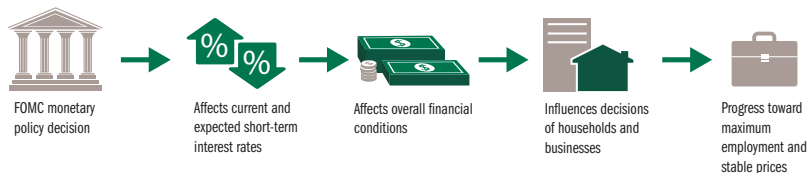
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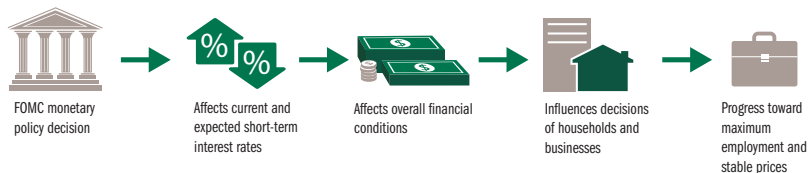
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- Multiple monetary policy tools

Rules or discretion?

Rules-based policy: advance commitment to a (simple) feedback rule

Discretionary policy: do what is best for the given circumstances

Rules or discretion?

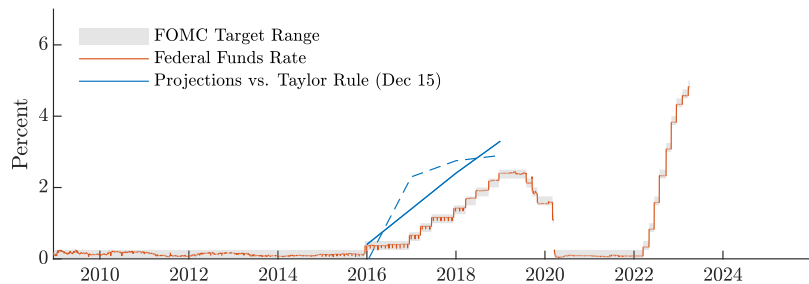Rules-based policy: advance commitment to a (simple) feedback rule

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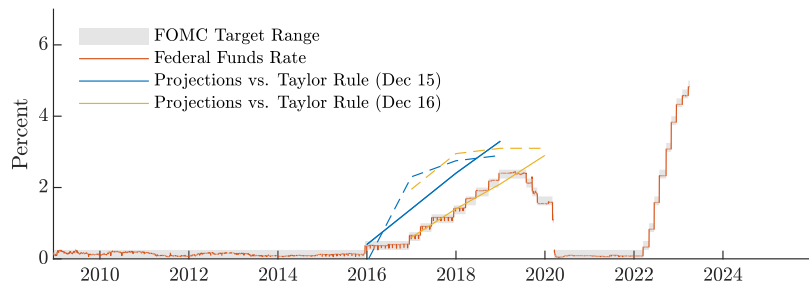Key challenge: delayed and noisy information about the economy
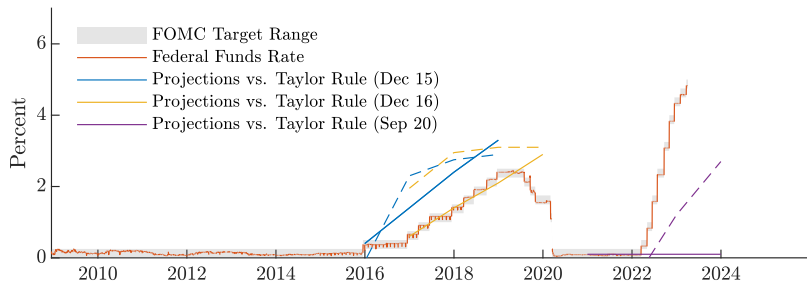
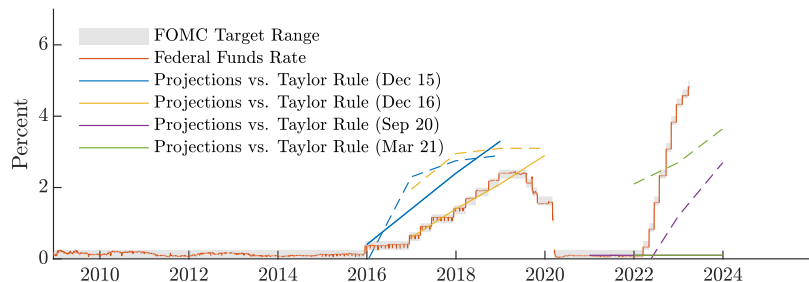# Rules or Discretion?
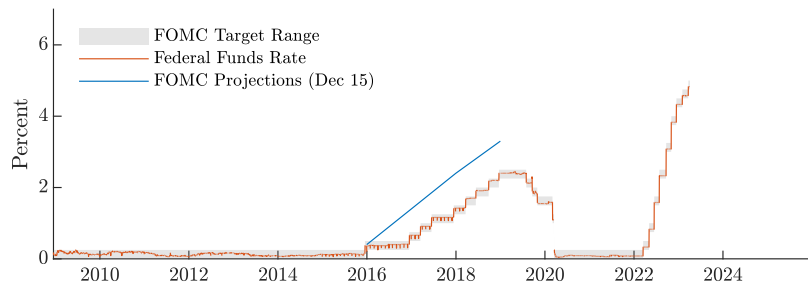
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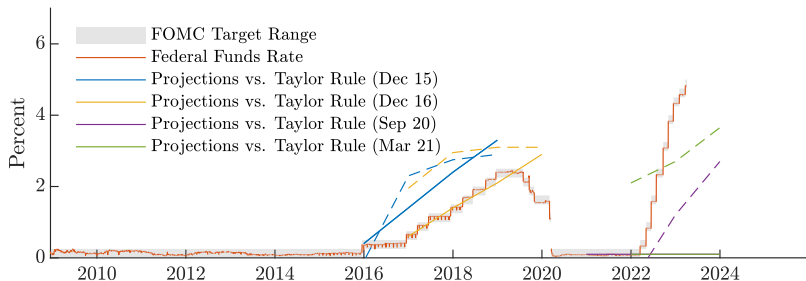
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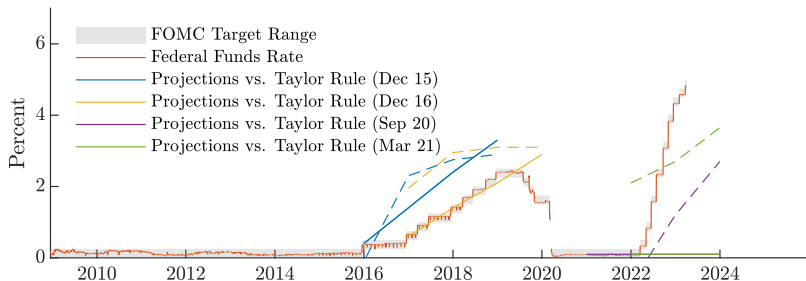# Rules or Discretion?

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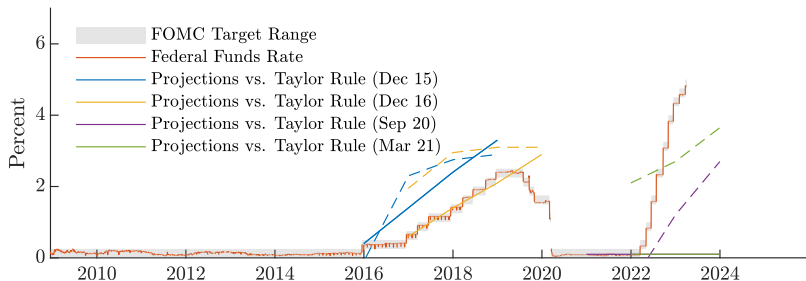
Rules or Discretion?

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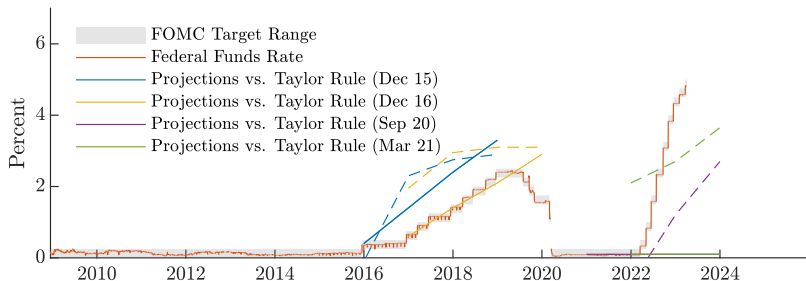
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- August 2020: new monetary policy framework (make-up strategy)

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Interesting recent advances in evaluating systematic policy without 'rules'.

Long-run trends:

Demographics, globalization, technological innovation, inequality, taxation, ...

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Employment and Inflation Dynamics

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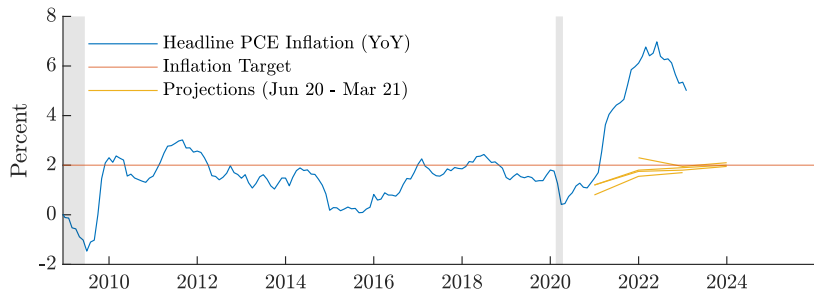
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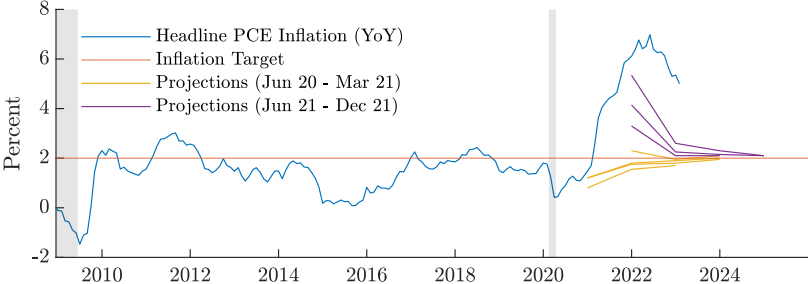Many challenges, especially in understanding inflation dynamics
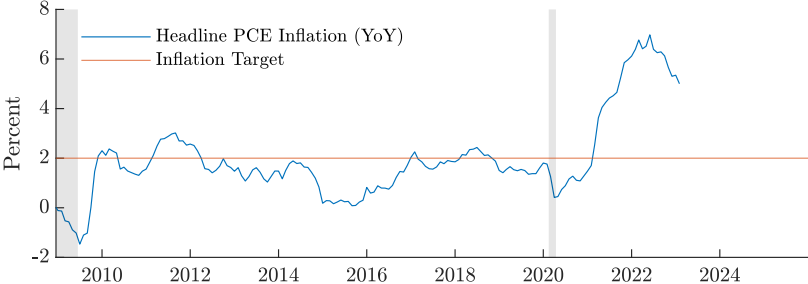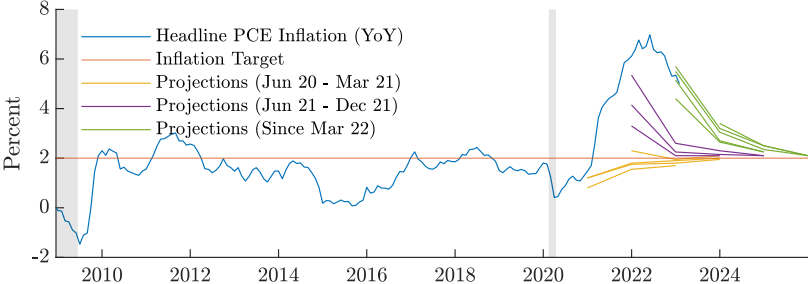
Employment and Inflation Dynamics
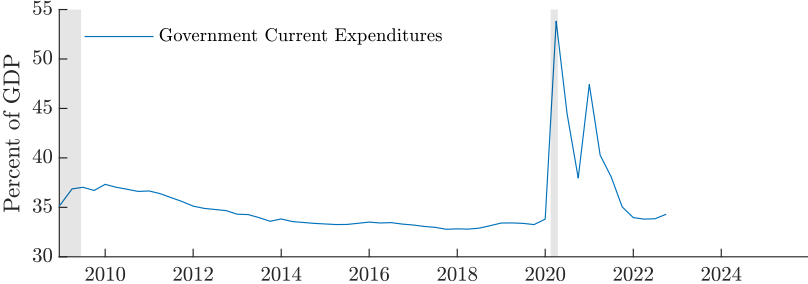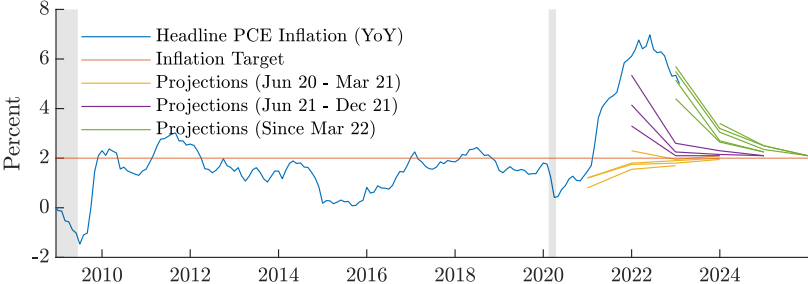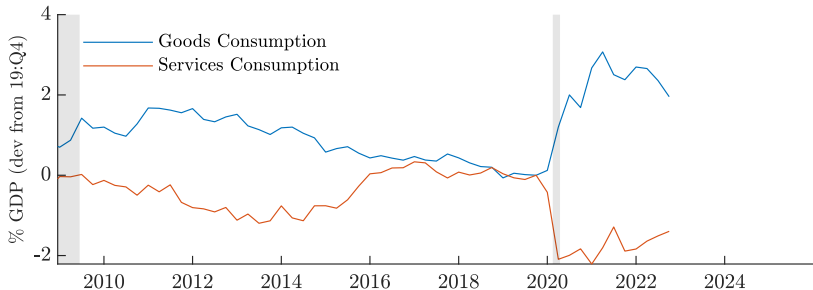
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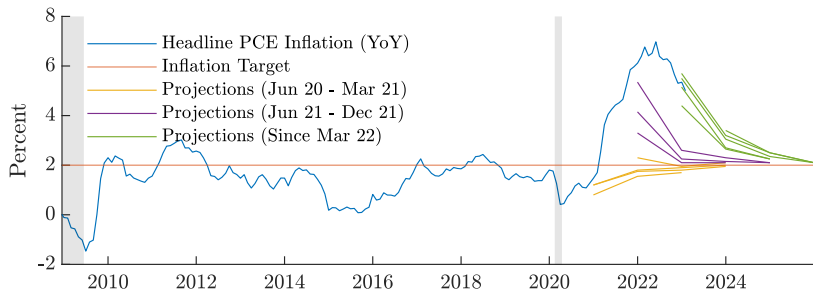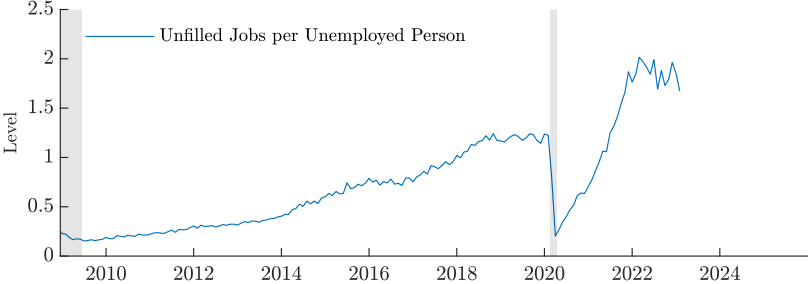
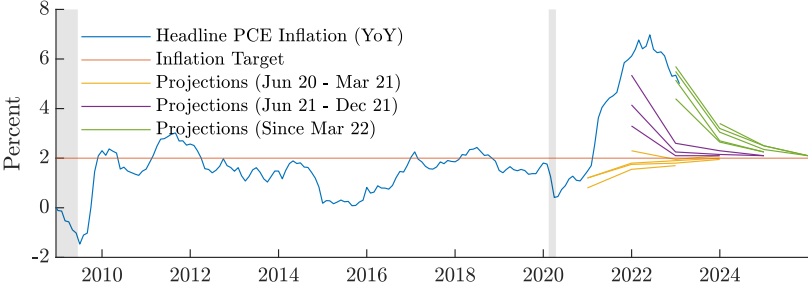# Employment and Inflation Dynamics

- Close connection between academic research and policy

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- Better informed policy decisions

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- But monetary policy is not (yet) just science