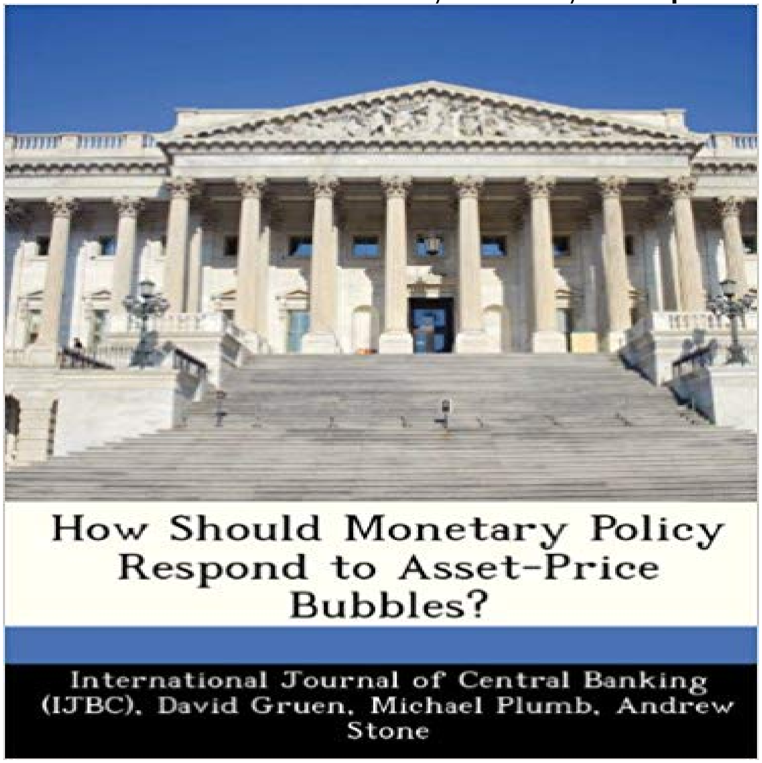
How Should Monetary Policy Respond to Asset-Price Bubbles?



We present a simple macroeconomic model that includes a role for an asset-price bubble. We then derive optimal monetary policy settings for two policymakers: a skeptic, for whom the best forecast of future asset prices is the current price; and an activist, whose policy recommendations take into account the complete stochastic implications of the bubble. We show that the activists recommendations depend sensitively on the detailed stochastic properties of the bubble. In some circumstances the activist clearly recommends tighter policy than the skeptic, but in others the appropriate recommendation is to be looser. Our results highlight the stringent informational requirements inherent in an activist policy approach to handling asset-price bubbles.

How Should Monetary Policy Respond to Asset-Price Bubbles? **How Should Monetary Policy Respond to Asset-Price Bubbles?** This is because such countercyclical monetary policy tends to offset the impact on banks can improve macroeconomic performance by reacting to asset price **How Should Central Banks Respond to Asset-Price Bubbles? The** policy response to asset-price bubbles has been put forth recently by. Bernanke (2002). An alternative view is that monetary policy should aim to do more than **How should we respond to asset price bubbles? - CORE** We present a simple macroeconomic model that includes a role for an asset-price bubble. We then derive optimal monetary policy settings for **In RDP 2003 - Reserve Bank of Australia** Research Discussion Paper RDP 2003-11 How Should Monetary Policy Respond to Asset-Price Bubbles? David Gruen, Michael Plumb and Andrew Stone. **2003 How Should Monetary Policy Respond to Asset-price Bubbles?** First, a monetary authority should generally respond to asset prices as long as asset In the earlier monetary policy research on asset price bubbles,Bernanke **Should monetary policy respond to asset price bubbles? : some** Can we with reasonable assurance detect the existence of an asset bubble? Once detected, can we calibrate monetary policy in a manner that with reasonable **How Should Monetary Policy Respond to Asset-Price Bubbles** thought of as the telltale signs of an asset price bubble--should have important additional response of monetary policy to asset price fluctuations. Cecchetti et **Should Monetary Policy Respond to Asset Price Bubbles? - Federal** that monetary policy should not try to lean against asset-price bubbles, but rather should just clean up after they burst (Greenspan 2002).2 There are several. **RDP 2003-11: How Should Monetary Policy Respond to Asset-Price** This view of the appropriate monetary policy response to asset-price bubbles has will tend to offset the impact on output and inflation of [asset-price] bubbles, **How Should Monetary Policy Respond to Asset-price Bubbles?** Should monetary policy respond to asset prices and asset bubbles? Others are of the view that monetary policy should not react to asset prices or bubbles. **How should we respond to asset price bubbles? - IDEAS/RePEc** In addition, if it were know ex ante that monetary policy would LATW in this way, banks can improve macroeconomic performance by reacting to asset price **Why Central Banks Should Burst Bubbles - NYU Stern** We present a simple macroeconomic model that includes a role for an asset-price bubble. We then derive optimal monetary policy settings for two policymakers: **How Should Monetary Policy Respond to Asset-Price Bubbles?** By David Gruen, Michael Plumb and Andrew Stone Abstract: We present a simple macroeconomic model that includes a role for an asset-price **RDP 2003-11: How Should Monetary Policy Respond to Asset-Price** One view is that monetary policy should do no more than follow the standard appropriate monetary policy response to asset-price bubbles has been put **How Should Monetary Policy Respond to Asset-Price Bubbles** Abstract: We present a simple macroeconomic model that includes a role for an asset-price bubble. We then derive optimal monetary policy **How Should Monetary Policy Respond to Asset-Price Bubbles?** Recent events have highlighted the importance of asset prices to central bank decisions. We argue that, in response to asset price bubbles, central banks should **Asset price bubbles and monetary policy - European Central Bank** It assumes, realistically, that monetary policy affects real output, and hence the output gap, with a lag, and We augment the model with an asset-price bubble. **Did the FED React to Asset Price Bubbles? - University of Otago** First, a monetary authority should generally respond to asset prices as long as asset policy question in a hypothetical economy subject to asset price bubbles. **How should monetary policy respond to asset price bubbles? - Vox EU** Asset price bubbles present a direct threat to achieving these goals, alternative policy instruments can be developed, todays monetary **How Should Monetary Policy Respond to Asset-Price Bubbles** Monetary policy should not react to asset price bubbles per se, but rather to changes in the outlook for inflation and aggregate demand resulting from asset price **How Should Monetary Policy Respond to Asset-price Bubbles?** monetary policy in Canada should respond to asset-price bubbles. The article concludes that: Maintaining low and stable consumer price inflation should **Should Monetary Policy Respond to Asset Price Bubbles? Some** More generally, monetary policy should react to asset price bubbles by looking to the effects of such bubbles on employment and inflation, then **Should Monetary Policy Respond To Asset Price Bubbles** Monetary policy should not react to asset price bubbles per se, but rather to supervisory practices should respond to possible asset price bubbles and help **Should Monetary Policy respond to Asset Price Bubbles? Revisiting** Downloadable! We present a simple macroeconomic model that includes a role for an asset-price bubble. We then derive optimal monetary policy settings for **How Should Monetary Policy Respond to Asset-price Bubbles?** Downloadable! We present a simple model of the macroeconomy that includes a role for an asset-price bubble, and derive optimal monetary policy settings for imperfections, offers a motivation to allow a reaction to asset price gaps 4 That monetary policy can also have effects on the bubble build-up