

# Finance and Economics Discussion Series: Imperfect Knowledge, Inflation Expectations, and Monetary Policy



This paper investigates the role of imperfect knowledge regarding the structure of the economy on the formation of expectations, macroeconomic dynamics, and the efficient formulation of monetary policy. Economic agents rely on an adaptive learning technology to form expectations and continuously update their beliefs regarding the dynamic structure of the economy based on incoming data. The process of perpetual learning introduces an additional layer of dynamic interactions between monetary policy and economic outcomes. We find that policies that would be efficient under rational expectations can perform poorly when knowledge is imperfect. In particular, policies that fail to maintain tight control over inflation are prone to episodes in which the public's expectations of inflation become uncoupled from the policy objective and stagflation results, in a pattern similar to that experienced in the United States during the 1970s. More generally, we show that in the presence of imperfect knowledge, policy should respond more aggressively to inflation than under perfect knowledge.

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**and Expectations Macroeconomists** Policy Finance and Economics Discussion Series: Imperfect Knowledge, Inflation Expectations, and Monetary Policy. (Paperback). Filesize: 4.09 MB. Reviews. **Finance and Economics Discussion Series: Screen Reader Version** Buy Finance and Economics Discussion Series: Inflation Scars and In this paper, we relax the assumption of rational expectations with perfect knowledge and of inflation expectations in the economy and in the conduct of monetary policy. **FRB: Finance and Economics Discussion Series - 2002** should respond more aggressively to inflation under imperfect knowledge than under perfect interaction between monetary policy and economic outcomes that has Finance and Economics Discussion Series, 1999-49, Federal Reserve. **Imperfect Knowledge, Inflation Expectations, and Monetary Policy** Nov 3, 2015 Finance and Economics Discussion Series. Divisions of Imperfect knowledge about the equilibrium real rate raises the possibility that pol-. **The Fed - Finance and Economics Discussion Series - 2015** Aug 7, 2007 Finance and Economics Discussion Series: 2007-33 Screen Reader version. Robust Monetary Policy with Imperfect Knowledge . Section V presents the models of expectations formation and natural rate estimation. . to lagged inflation, expected future inflation, and the unemployment gap during the **FRB: Finance and Economics Discussion Series - 2003** this study, we allow for a form of imperfect knowledge in which economic agents rely on .. 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In for private agents knowledge of the future and the timing of policy responses. **The Macroeconomic Effects of the Federal Reserves - Board of** Muth, J., 1961, Rational Expectations and the Theory of Price Movements, Rule, Federal Reserve Board Finance and Economics Discussion Series, 2003-36. 2003a, Imperfect Knowledge, Inflation Expectations, and Monetary Policy, **The Role of Policymakers in Business Cycle Fluctuations - Google Books Result** Measurement Error in Macroeconomic Data and Economics Research: Data Monetary Policy, Incomplete Information, and the Zero Lower Bound (PDF) the interaction between imperfect knowledge about the state of the economy and the zero lower . Regime-Switching Models for Estimating Inflation Uncertainty (PDF). **Imperfect Knowledge, Inflation Expectations, and Monetary Policy** May 12, 2009 Finance and Economics Discussion Series: 2009-15 Screen Reader version Keywords: Inflation expectations, monetary policy . And models incorporating imperfect information can explain many of the stylized facts regarding inflation dynamics, . Robust Monetary Policy with Imperfect Knowledge. This paper investigates the role that imperfect knowledge about the structure of the economy plays in the formation of expectations, macroeconomic dynamics, **Imperfect Knowledge, Inflation Expectations, and Monetary Policy** Imperfect knowledge, inflation expectations, and monetary policy, Finance and Economics Discussion Series 2002-27, Board of Governors of the Federal **Inflation Expectations, Uncertainty, the Phillips Curve, and Monetary** References in publications to the Finance and Economics Discussion Series (other than to perform well under rational expectations with perfect knowledge perform very poorly Such policies help stabilize inflation expectations near. **Download eBook /**

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