



Australian
National
University

Changes in the Federal Reserve Communication Strategy: A structural investigation

Tuesday 13 March 2012 12.30 – 1.30 pm, light lunch will be provided

Crawford School Seminar Series

Dr Yasuo Hirose

Faculty of Economics, Keio University, Japan

Acton Theatre Level 1, J.G. Crawford Building, Lennox Crossing, ANU



In his talk Professor Hirose will investigate the changes in the Federal Reserve's communication strategy during the 1990s by analysing anticipated and unanticipated disturbances to a Taylor rule. The anticipated monetary policy disturbances are identified by estimating a medium-scale dynamic stochastic general equilibrium model with the term structure of interest rates, using the U.S. data that includes bond yields. The estimation results show that the Fed made its future policy actions unanticipated for market participants until the mid-1990s, but thereafter, the Fed tended to coordinate market expectations about future policy actions.

This finding suggests that the changes in the Fed's communication strategy are consistent with the rise of the academic views on central banking as management of expectations. The inclusion of bond yields in the data for estimation is indispensable to the finding because the yields contain crucial information on the expected future path of the federal

funds rate. Moreover, it is demonstrated that the presence of bond yields data generates a substantial contribution of monetary policy disturbances to business cycles.

Yasuo Hirose is an associate professor at the Faculty of Economics, Keio University in Tokyo. Before he joined the University in 2010, he was an economist at the Bank of Japan from 2000 to 2010. He received a B.A. in policy management from Keio University in 2000 and a Ph.D. in economics from Johns Hopkins University in 2007. His major fields of study are macroeconomics and monetary economics. He has published research in a variety of peer-reviewed journals, including *Journal of Money, Credit and Banking*, *Journal of Economic Dynamics and Control*, and *Economic Inquiry*.

Presented by

Crawford School of
Economics &
Government
ANU College of
Asia & the Pacific

Registration required

E rsvp.crawford@anu.edu.au T 02 6125 4387

This seminar is free and open to the public

Please visit:

crawford.anu.edu.au/media/more.php?id=5291

CRICOS# 00120C

PUBLIC SEMINAR