

Lars E O Svensson: Monetary Policy in Theory and Practice

Lecture 1: The Present -- Transparency under Flexible Inflation Targeting: Experiences and Challenges

I report some personal views and reflections on transparency experiences and transparency challenges following my first year as Deputy Governor at Sveriges Riksbank regarding (1) flexible inflation targeting, (2) the role of transparency in inflation targeting, committee decisions on instrument-rate paths, (3) the management of interest-rate expectations, and (4) the publishing of attributed minutes. I also mention some future developments and improvements in transparency and flexible inflation targeting that I believe would be desirable.

Lecture 2: The Past -- What Have Economists Learned About Monetary Policy Over the Past 50 years?

In economic research, 50 years is a long time. I will actually start in 1967, with Milton Friedman's presidential address at the meeting of the American Economic Association, so I will only cover about 40 years. I will give a very personal view of what economists have learned since Friedman's address that is most relevant for practical monetary policy. In order to be brief, I will have to leave out many important research contributions. I will hence be very selective, eclectic, and possibly controversial.

Lecture 3: The Future -- Optimal Monetary Policy in an Operational Medium-Sized DSGE Model

I show how to construct optimal policy projections in Ramses, the Riksbank's open-economy medium-sized DSGE model for forecasting and policy analysis. Bayesian estimation of the parameters of the model indicates that they are relatively invariant to alternative policy assumptions and supports that the model may be regarded as structural in a stable low inflation environment. Past policy of the Riksbank until 2007:3 (the end of the sample used) is better explained as following a simple instrument rule than as optimal policy under commitment. I show and discuss the differences between policy projections for the estimated instrument rule and for optimal policy under commitment, under alternative definitions of the output gap, different initial values of the Lagrange multipliers representing policy in a timeless perspective, and different weights in the central-bank loss function.