

Use of models at central banks: Comments

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Monetary Policy Conference at Norges Bank
7 April 2005

At the model shop

At the model shop

What would you like?

At the model shop

What would you like?

- Communication

At the model shop

What would you like?

- Communication
- Reality check

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What would you like?

- Communication
- Reality check
- Forecasting

At the model shop

What would you like?

- Communication
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- Policy analysis

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In stock

At the model shop

What would you like?

- Communication
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In stock

- Calibrated theory

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In stock

- Calibrated theory
- VAR (Structural & Bayesian)

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- VAR (Structural & Bayesian)
- Econometric model
- DSGE

What to take?

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 - ▶ non-robust

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Winnie the Pooh solution:
Yes, please.

The devil's dictionary

Apologies to Ambrose Bierce

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- Aggregate dynamic econometric models

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Apologies to Ambrose Bierce

- Aggregate dynamic econometric models
 - ▶ Estimates of "something"

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 - ▶ How to estimate models **inefficiently**

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 - ▶ Estimates of "something"
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- DSGE & Microfoundations

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- Aggregate dynamic econometric models
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- DSGE & Microfoundations
 - ▶ Sophisticated naivety

What to choose

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- "Core" or "suite"

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- Why?
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- "Core" or "suite"
- Why?
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- Competition & diversification

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What to choose

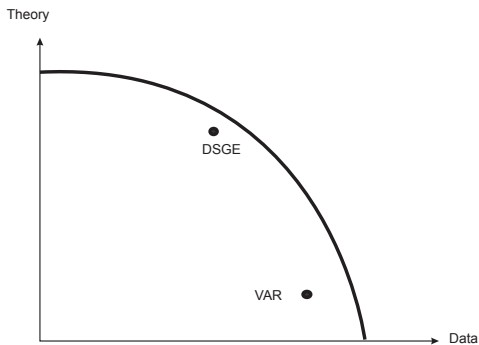
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 - ▶ **Must be transparent**

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 - ▶ **Must be transparent**
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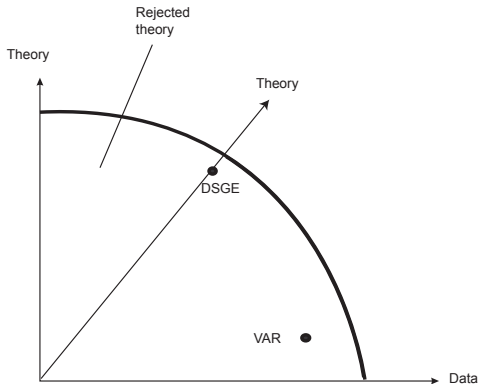
How much reality?

The Pagan frontier...



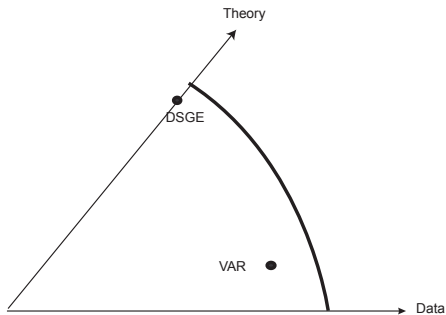
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Microfoundations...

The times they are achanging

Behavioural economics

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- hyperbolic discounting: time inconsistency

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- fair treatment: backward-looking behaviour (Driscoll & Holden)

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But see Backus, Routledge & Zin: "Exotic preferences for macroeconomists"

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- Bårdsen, Hurn & Lindsay: approximations imply EqCM
- Cointegration provides the steady-state.