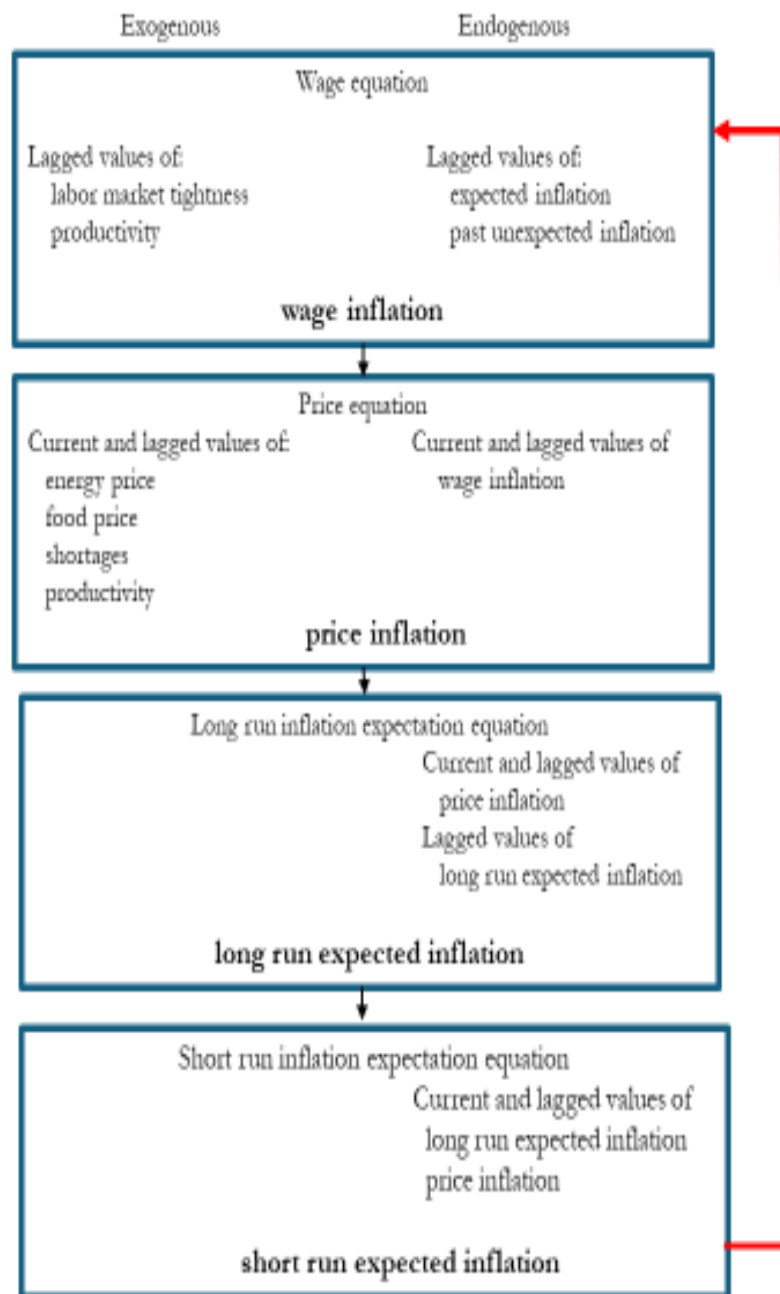


(My) main lessons from the central banks project

Olivier Blanchard

April 2024

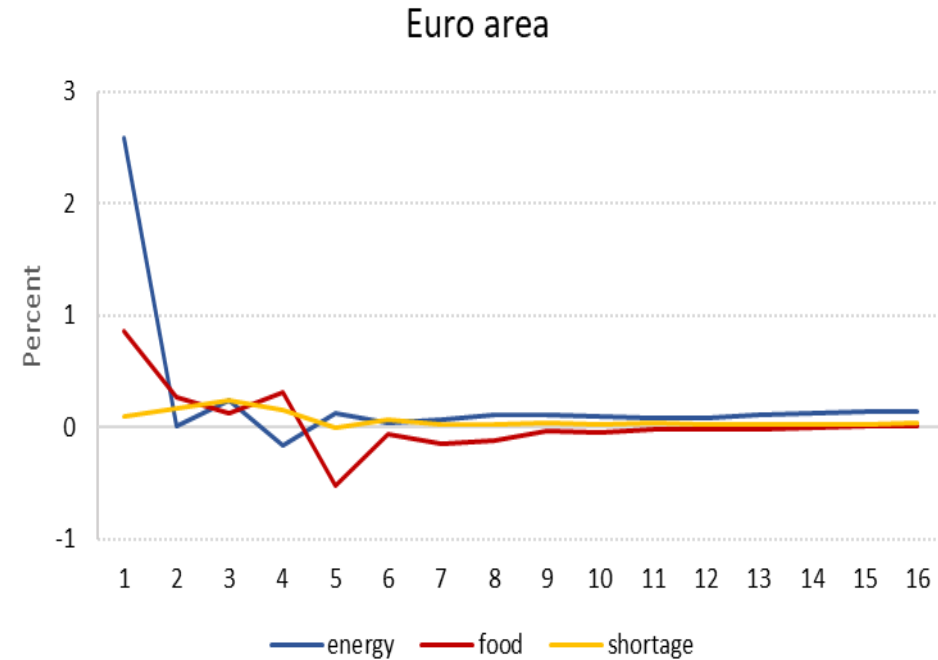
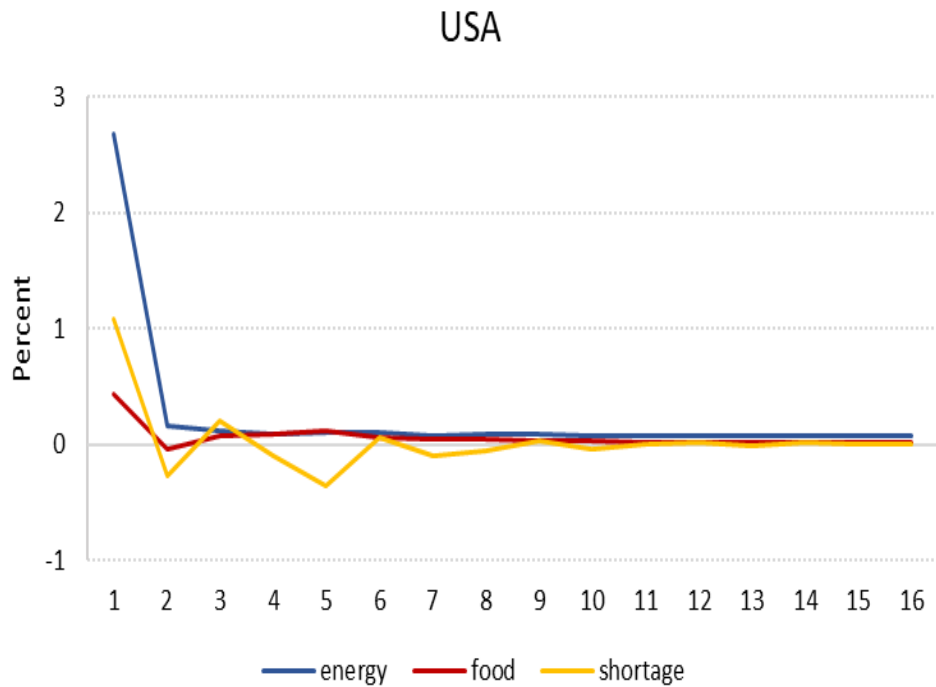
A project based on estimation of the model developed by Ben Bernanke and myself for the US in 10 economies. (Canada, Japan, euro area, UK, Germany, France, Spain, Italy, Netherlands, Belgium).

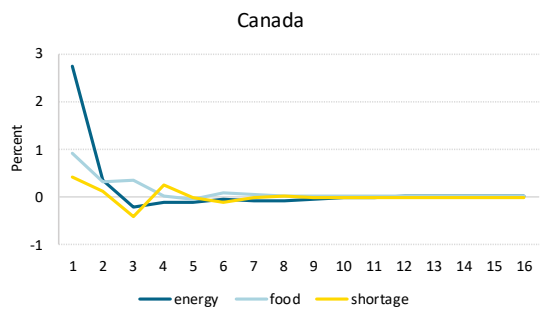
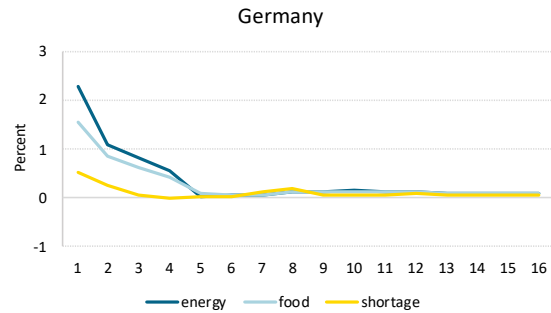
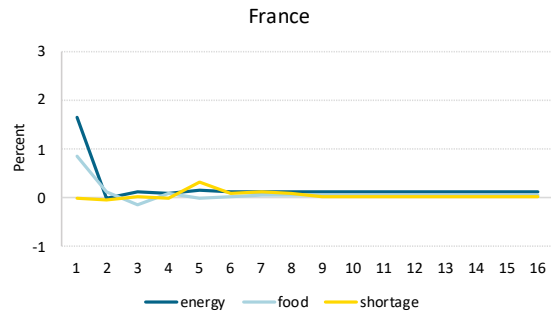
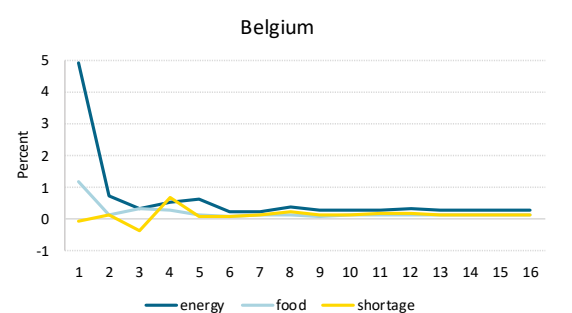
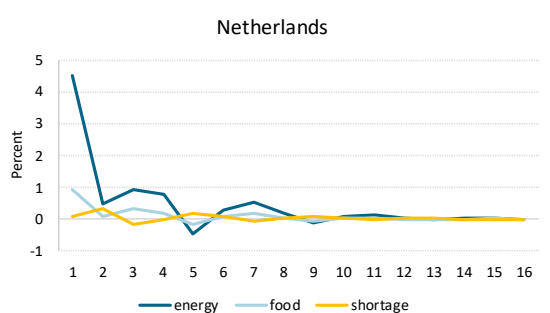
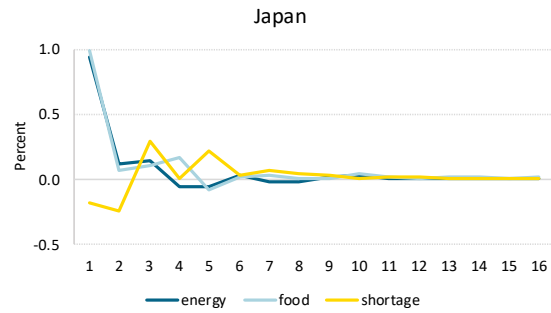
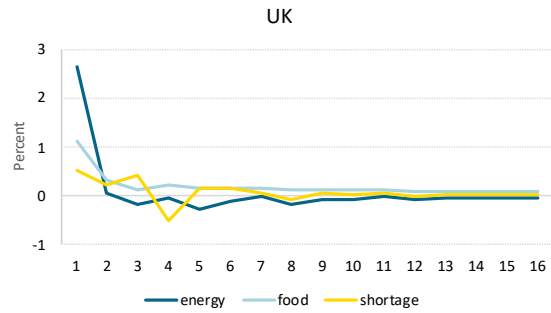
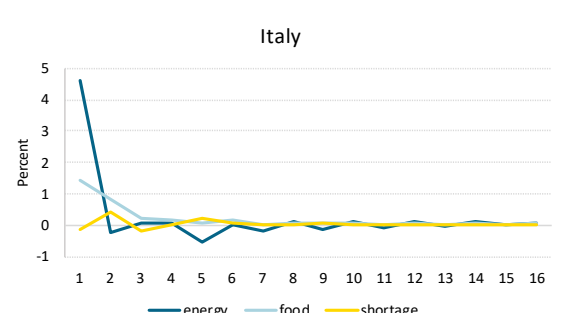
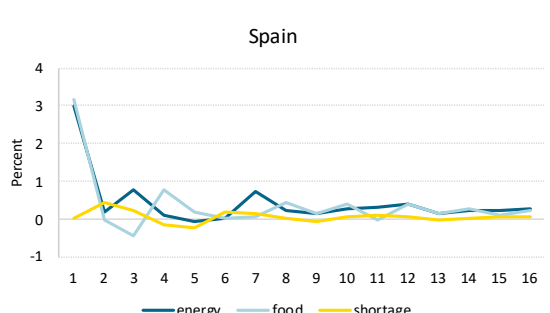
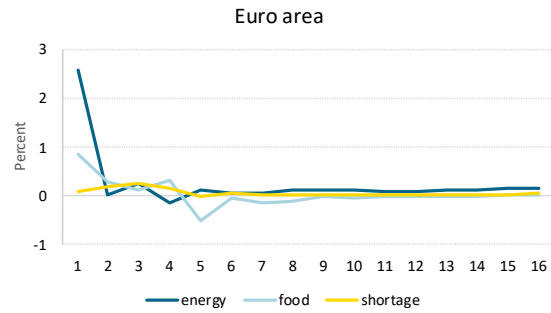
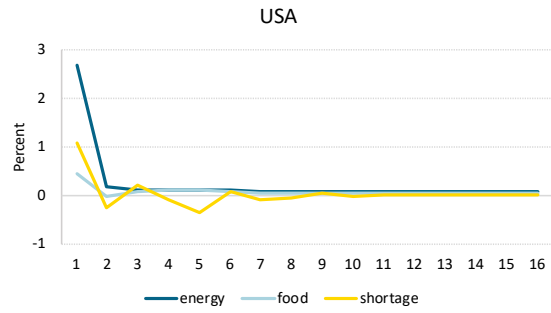


The model

Conclusion 1. A long series of adverse price shocks (energy, food, shortages) with little persistent effects

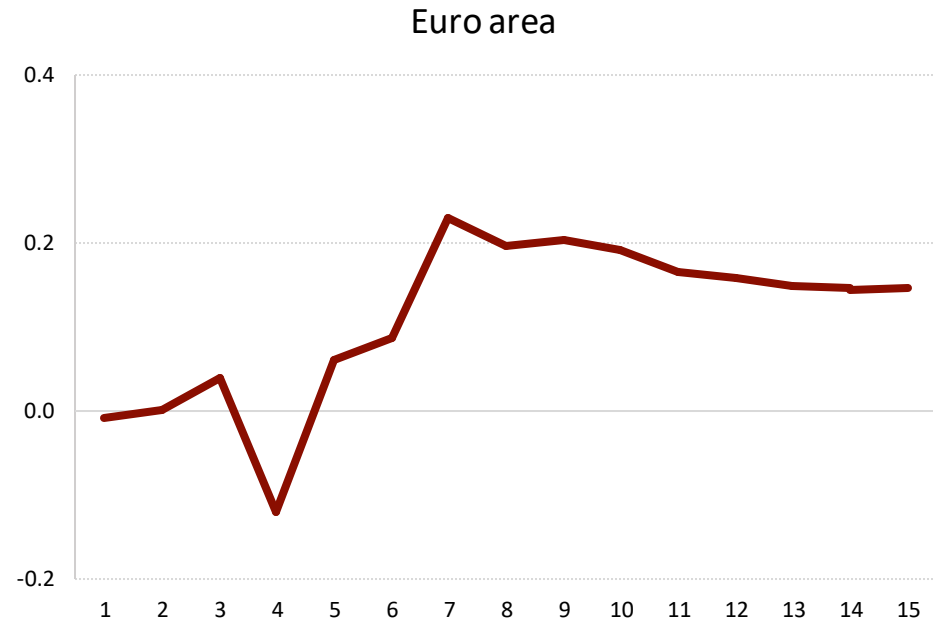
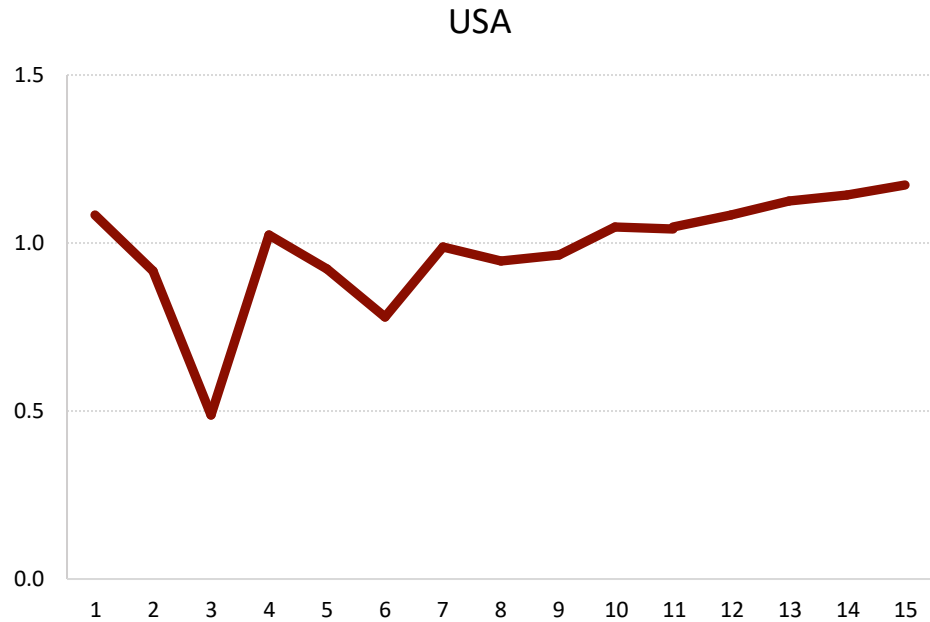
Impulse response functions of inflation to the three price shocks



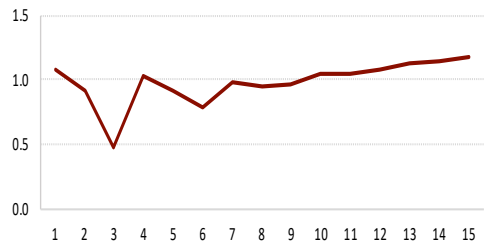


Conclusion 2. Small and slowly building effects of labor market tightness.

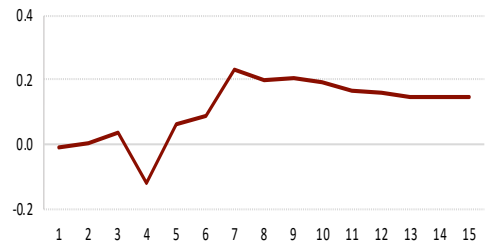
Impulse response functions of inflation to an increase in v/u



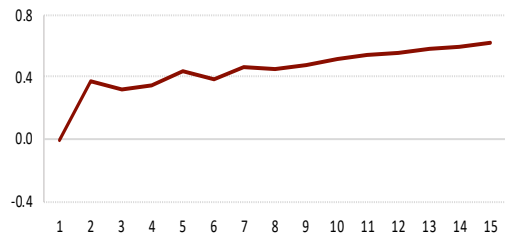
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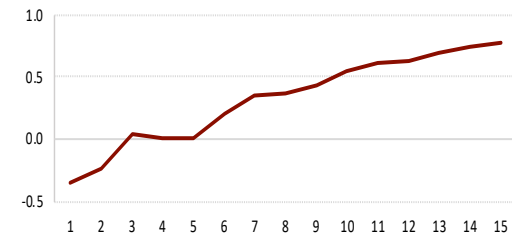
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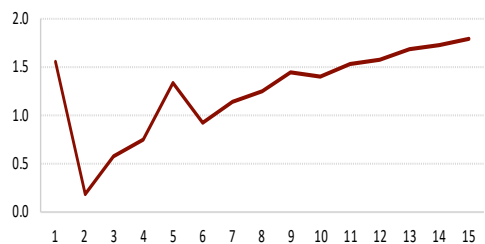
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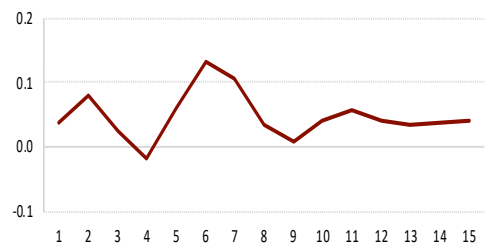
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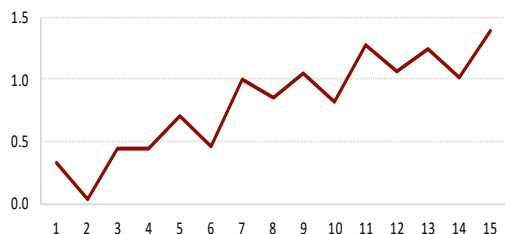
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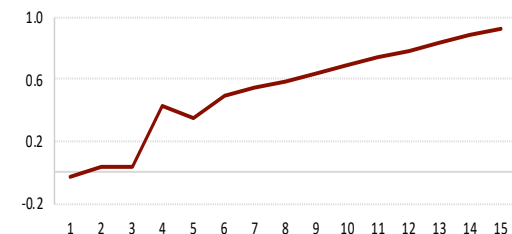
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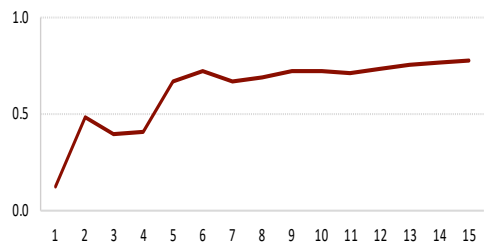
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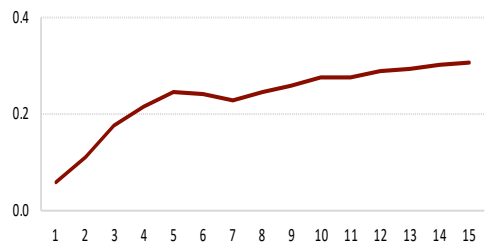
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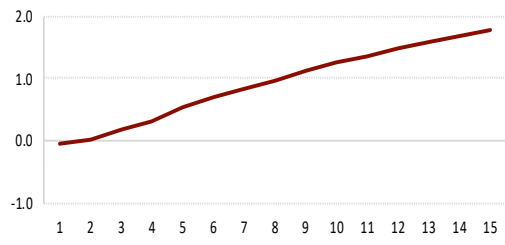
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Germany



Canada



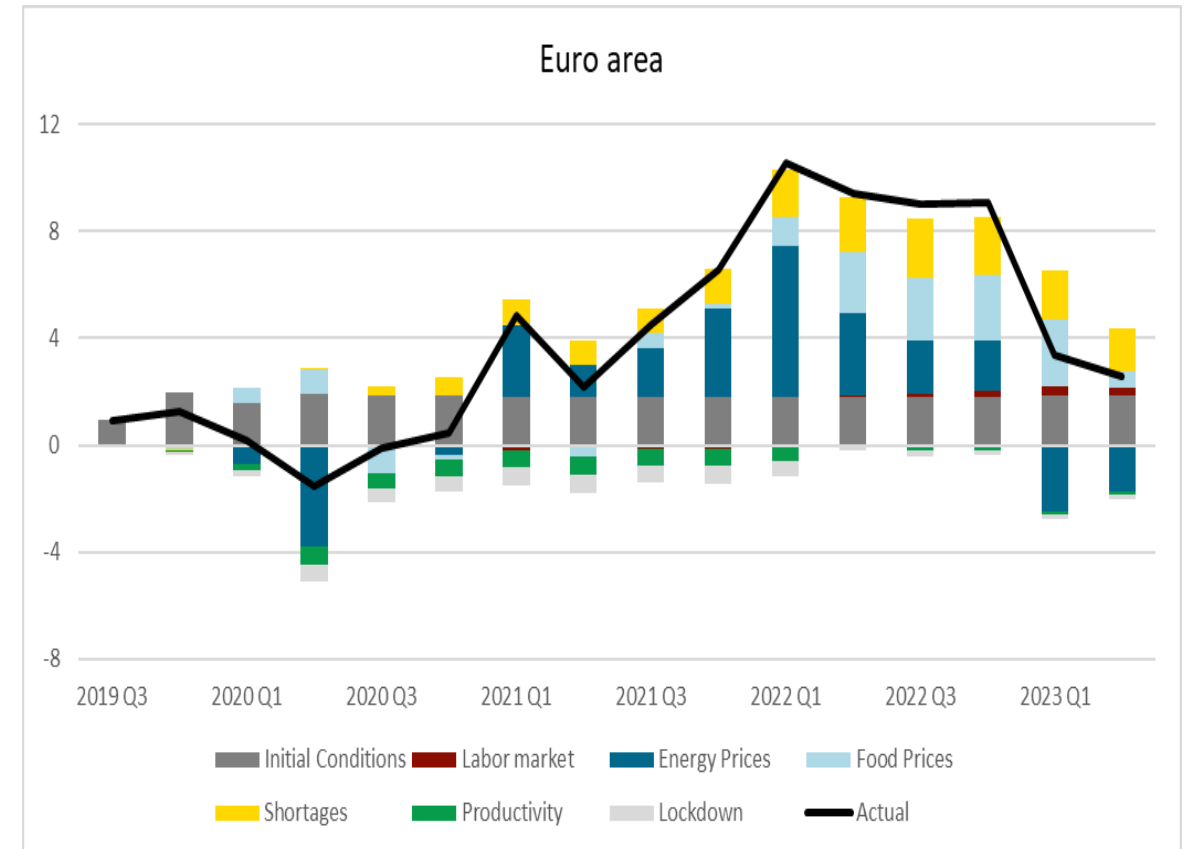
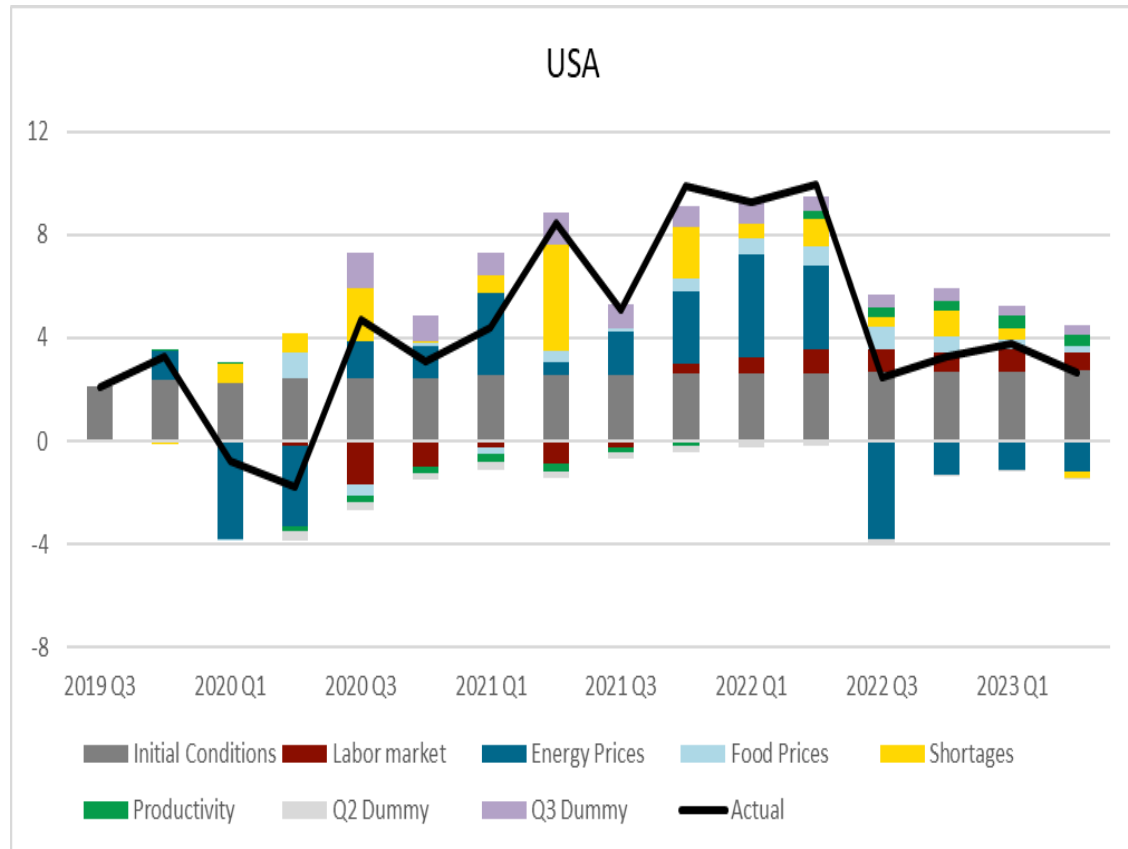
Historical decompositions. Conclusions

At high frequency: The dominance of the price shocks.

At lower frequency: The slow build of labor market pressure (in the US, not so in euro area)

Most of the decrease: price shock reversals, not monetary policy

Now: The last mile?



Implications for monetary policy?

What role did monetary policy actually play?

Most of the inflation movements: unrelated to activity.

Both on the up and the down

The role of credibility. Anchoring of expectations

The transmission mechanisms of higher interest rates.

Mechanical or signaling?

Probably, more price shocks to come. Optimal monetary policy? Japan.