Measuring monetary policy deviations from the Taylor rule

João Madeira, Nuno Palma

PII: S0165-1765(18)30125-3
DOI: https://doi.org/10.1016/j.econlet.2018.03.034
Reference: ECOLET 7995

To appear in: *Economics Letters*

Received date : 25 September 2017
Revised date : 20 December 2017
Accepted date : 29 March 2018

Please cite this article as: Madeira J., Palma N., Measuring monetary policy deviations from the Taylor rule. *Economics Letters* (2018), https://doi.org/10.1016/j.econlet.2018.03.034

Highlights

- We account for the endogeneity of output/ inflation in applying the Taylor rule.
- We do this by estimating a DSGE model to obtain time series for economic shocks.
- Deviations from the Taylor rule correspond to monetary shocks.
- We used the estimates to simulate the interest rate path absent monetary shocks.
- Taking endogeneity into account can make a large quantitative difference.