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Measuring monetary policy deviations from the Taylor rule

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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.

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