

Optimal simple rules and the lower bound on the nominal interest rate in the Christiano–Eichenbaum–Evans model of the US business cycle

Guido Ascari · Nicola Branzoli

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Abstract Schmitt-Grohé and Uribe (NBER wp 10724, 2004b) analyzes the optimal, simple and implementable monetary policy rules in a medium-scale macromodel, as the one proposed by Christiano et al. (J Polit Econ 113:1–45, 2005). In doing so, they use a sensible, but somewhat arbitrary constraint to account for the lower bound condition on the nominal interest rate. In this work, we check the robustness of their main results to such a criteria. We find that the optimal policies are actually absolutely robust to the easing of this criterion for all the different cases considered.

Keywords Monetary policy rules–zero bound · New Keynesian model

JEL Classification E31 · E52

G. Ascari · N. Branzoli
Department of Economics and Quantitative Methods, University of Pavia,
Via San Felice 5, 27100 Pavia, Italy
e-mail: guido.ascari@unipv.it