ECON2020 - Final Project
Proposal - Using Romer and Romer's "Does Monetary Policy Matter?" to classify FOMC minutes

A Foutelet

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1 Motivation

Since my undergraduate years and until this year, I hadn't studied macroeconomics. Yet, during the first semester, while Gauti was introducing his class, I suddenly remembered that understanding monetary policy was what had taken me to economics many years ago.

On that day, Gauti presented Romer and Romer's "Does Monetary Policy Matter? A New Test in the Spirit of Friedman and Schwartz" (1990). In this article, the authors identified some points in time, between 1947 and 1988, when the Federal Reserve decided that inflation was so high that it needed to be brought down, should it create a recession. I would like to use their manually classified data as a training set to a classifier that would extend the time interval of the study. Then, after assessing the relevancy of the results, I would like to update Romer and Romer's computed impulse response to a monetary shock and see if its specific features are robust.

2 Data

I need to find a way to download all the FOMC minutes. It seems feasible as they are open data.

3 Method

After tokenizing the the minutes, I would like to use a Lasso method to identify the tokens defining Romer and Romer's points in time. A similar method was advised by Michalopoulos and Xue to analyse textual databases. Then, I would like to use these tokens to identify other similar points in time.

4 Expectations

I hope that delving in the most recent literature on text analysis will help me identify other methods than token-based classification as I am aware that there is little chance that any gives satisfactory results. Indeed, a lot of semantic information is lost in the process of tokenizing : grammatical nuances (e.g. negations), attributive adjectivation, orders in concepts, etc.

Références

[1] Christina D. Romer and David H. Romer, 1989. "Does Monetary Policy Matter ? A New Test in the Spirit of Friedman and Schwartz," NBER Chapters, in : NBER Macroeconomics Annual 1989, Volume 4, pages 121-184, National Bureau of Economic Research, Inc.

[2] Stelios Michalopoulos, Melanie Meng Xue, Folklore, The Quarterly Journal of Economics, Volume 136, Issue 4, November 2021, Pages 1993–2046, https ://doi.org/10.1093/qje/qjab003