

Estimates of the Monetary Multiplier

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Optimal monetary policy:

1) Unemployment gap: $u - u^* = u - \sqrt{u_0}$

2) Monetary multiplier: $du/di > 0$

VARs → Christiano et al. (1999) : survey
Ramey (2016) : survey

Coibion (2012) : with VAR, $du/di \approx 0.2$

(Bernanke & Blinder (1992) $du/di = 0.6$)

Narrative approach → Fatas & Mihov (2004)

Coibion (2012) : with narrative, $du/di \approx 0.9$

↳ designs hybrid approach : $du/di \approx 0.4$

• across specifications: $0.4 \leq du/di \leq 0.6$

Here take midpoint estimate:

$$du/di = 0.5$$