



**11<sup>th</sup> Annual Conference of the Central Bank of Chile**  
**“MONETARY POLICY UNDER UNCERTAINTY AND LEARNING”**

**Thursday, November 15, and Friday, November 16, 2007**  
**Santiago, Chile**

Monetary policy is always conducted in an environment of uncertainty about future observable variables, past and future unobservable variables, and the models that represent the structure of relations between policy and markets. Hence it is critical to improve our understanding of the analytics of monetary policy under uncertainty and to develop tools, frameworks, and models that recognize the role of uncertainty in policy and private-sector decisions as well as in the building and use of models themselves. This implies focusing also on expectations formation and the role of learning – by both central banks and market participants – in determining behavior and macroeconomic performance.

The 11<sup>th</sup> Annual Conference of the Central Bank of Chile (CBC), on “Monetary Policy under Uncertainty and Learning”, is devoted to dealing with the latter issues. The Conference will bring together academics, central bank researchers, and monetary policy makers to discuss theoretical and empirical frontier research on the implications of data and model uncertainty, and of learning behavior, for the conduct of monetary policy.

Website <http://www.bcentral.cl/eng/stdpub/conferences/>  
Venue Sheraton Hotel, Santiago, Chile  
Language All sessions will be conducted in English, except for the Opening Remarks

Conference Organization

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*Thursday, November 15, 2007*

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**Session I    Opening Remarks** (*Session in Spanish, with translation*)

9:00-9:15    Opening Remarks, **Vittorio Corbo** (Governor, Central Bank of Chile)

**Session II    Keynote Address**

Chair: **Vittorio Corbo** (Governor, Central Bank of Chile)

9:15-10:15    “Evolution and Intelligent Design”, **Thomas Sargent** (New York University)

10:15-10:45    *Coffee*

**Session III    Monetary Policy under Model Uncertainty**

Chair: Manuel Marfán (Member of the Board, Central Bank of Chile)

10:45-11:45    “Optimal Monetary Policy under Model Uncertainty in DSGE Models: A Markov Jump-Linear-Quadratic Approach”, **Lars E.O. Svensson** (Princeton University) and **Noah Williams** (Princeton University)

Comments: **John McDermott** (Reserve Bank of New Zealand)

11:45-12:45    “Imperfect Knowledge and the Pitfalls of Optimal Control Policy”, **Athanasios Orphanides** (Central Bank of Cyprus) and **John Williams** (Federal Reserve Bank of San Francisco)

Comments: **Sheryl Kennedy** (Bank of Canada)

12:50-14:00    *Lunch*

**Session IV    Learning, Stability, and Equilibrium in Monetary Policy Models**

Chair: Enrique Marshall (Member of the Board, Central Bank of Chile)

14:00-15:00    “Robust Learning Stability with Operational Monetary Policy Rules”, **George Evans** (University of Oregon) and **Seppo Honkapohja** (Cambridge University)

Comments: **Claes Berg** (Sveriges Riksbank)

15.00-16.00    “Macroeconomic and Monetary policies from the ‘Eductive’ Viewpoint”, **Roger Guesnerie** (College de France)

Comments: **Juan Pablo Nicolini** (Torcuato di Tella University)

16:00-16:20 *Coffee*

**Session V Monetary Policy Transparency, Credibility, and Learning**

Chair: Jorge Desormeaux (Member of the Board, Central Bank of Chile)

16:20-17:20 “Monetary Policy Credibility and the Macroeconomy”, **Martin Melecky** (De Nederlandsche Bank), **Diego Rodríguez Palenzuela** (European Central Bank), and **Ulf Söderström** (Bocconi University)

Comments: **Alex Bowen** (Bank of England)

17:20-18:20 “Learning, Endogenous Indexation and Disinflation in the New Keynesian Model”, **Volker Wieland** (J.W.Goethe University of Frankfurt)

Comments: **Vicente Tuesta** (Banco Central de Reserva del Perú)

*Friday, November 16, 2007*

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**Session VI Determinacy and Learning in Monetary Policy**

Chair: Leonardo Hernández (Central Bank of Chile)

9:00-10:00 “Determinacy and Learnability in Monetary Policy Analysis: Additional Results”, **Bennett T. McCallum** (Carnegie Mellon University)

Comments: **Christopher Kent** (Reserve Bank of Australia)

10:00-10:20 *Coffee*

**Session VII Sticky Information and Model Misspecification**

Chair: José De Gregorio (Vice Governor, Central Bank of Chile)

10:20-11:20 “A Few Model-Based Answers to Monetary Policy Questions in the United States and the Euro Area”, **Ricardo Reis** (Princeton University)

Comments: **Claudio Soto** (Central Bank of Chile)

11:20-12:20 “Inflation Dynamics in a Small Open Economy Model under Inflation Targeting”, **Marco Del Negro** (Federal Reserve Bank of New York) and **Frank Schorfheide** (University of Pennsylvania)

Comments: **Rómulo Chumacero** (Central Bank of Chile)

**Session VIII Keynote Address**

Chair: **Vittorio Corbo** (Governor, Central Bank of Chile)

12:20-13:20 “Monetary Policy in Israel”, **Stanley Fischer** (Governor, Bank of Israel)

13:25-14:45 *Lunch*

**Session IX Unobservables in the World**

Chair: Igal Magendzo (Central Bank of Chile)

14:45-15:45 “Monetary Policy and Key Unobservables in the G-3 and Selected Inflation-Targeting Countries”, **Klaus Schmidt-Hebbel** (Central Bank of Chile) and **Carl Walsh** (University of California at Santa Cruz)

Comments: **Nicoletta Batini** (International Monetary Fund)

15:45-16:00 *Coffee*

**Session X Implications of Model and Data Uncertainty for Monetary Policy and Macro Adjustment in Chile**

Chair: Pablo García (Central Bank of Chile)

16:00-17:00 “Sources of Uncertainty in Chilean Monetary Policy”, **Felipe Morandé** (Universidad de Chile) and **Mauricio Tejada** (Universidad de Chile)

Comments: **Rodrigo Valdés** (Central Bank of Chile)

17:00-18:00 “Overoptimism, Boom-Bust Cycles and Monetary Policy in Small Open Economies”, **Manuel Marfán** (Central Bank of Chile), **Juan Pablo Medina** (Central Bank of Chile), **Jorge Selaive** (Central Bank of Chile), and **Claudio Soto** (Central Bank of Chile)

Comments: **Rodrigo Cerda** (Pontificia Universidad Católica de Chile)