Discussion of "Central Banks Going Long" by Ricardo Reis

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The views expressed on this discussion are my own and do not necessarily reflect those of the European Central Bank

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  2. Develop a model of inflation dynamics to evaluate whether the going long policies in 1. helped to keep inflation on target

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  B. The Radcliffe commission in the U.K.

  Target the 10-year gilt yield

  C. The current Yield Curve Control (YCC) period in Japan

  Target the overnight central bank rate & the 10-year bond yield

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- Model of inflation dynamics

  Frictionless & Cashless economic environment

  Continuous-time DSGE economy with a representative household

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- Problems with the going long policies

  A. U.S. policy

  Ceiling on long-term interest rates limits the ability of monetary policy to accommodate large inflationary shocks

  B. U.K. policy

  Long-term interest-rate rules are more complex than their short-term counterparts

  C. Japanese policy

  Keeping inflation on target requires steepening the yield curve when inflation is below target rather than flattening it

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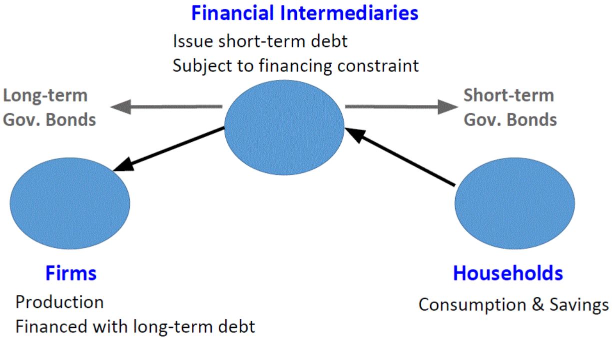
- Alternative environment with frictions in financial markets:



Thanks!