

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
DIVISION OF MONETARY AFFAIRS

Date: June 1, 2018

To: Research Directors

From: Trevor A. Reeve

Subject: Learning and misperceptions of policy strategies

The Monetary Policy Strategies section of the June Tealbook (Book A) contains a box discussing the effects of a change in policy strategy in a situation in which the public has to learn about monetary policy and, consequently, only gradually comes to understand the way in which the policy strategy has changed. The box highlights the important role that expectations formation plays in determining the effects of a change in policy strategy on economic outcomes. The attached memorandum--prepared by Martin Bodenstein, James Hebden, and Fabian Winkler--describes the methodology used in the box and provides additional details on the simulations.

If you have questions about the memo, please feel free to contact Martin Bodenstein or Fabian Winkler.