

# **Estimates of the Monetary Multiplier**

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## Optimal monetary policy:

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

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 → Fomero & Romer (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:

$$du/di = 0.5$$