Abstract

Did the Federal Reserve's response to economic fundamentals change with the onset of the Global Financial Crisis? Estimation of a monetary policy rule to answer this question faces a censoring problem since the interest rate target has been set at the zero lower bound since late 2008. Surveys by forecasters allow us to sidestep the problem and to use conventional regressions and break tests. We find that the Fed's inflation response has decreased and that the unemployment response has remained as strong, which suggests that the Federal Reserve's commitment to stable inflation has become weaker in the eyes of the professional forecasters.