The Use of R^*
in the Conduct of Policy

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How Might R^* Be Used?

1. R^* as a real-interest-rate **target**

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2. R^* as the **intercept** in a Taylor rule

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2. R^* as the **intercept** in a Taylor rule

3. R^* as a shift factor in **one equation** of a larger structural model, used for policy projections

Which Kind of R^* Measure?

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- Based on **unobserved-component** model, using Kalman filter (e.g., Laubach-Williams),

  or on **complete DSGE** model (e.g., FRBNY model)?

- COVID shock

Inferring Change in R^* from Type of Shock

- COVID shock

- Tariff shock