LECTURE 12
THE ZERO LOWER BOUND IN PRACTICE
FEBRUARY 28, 2013

I. REVIEW
   A. IS-MP framework with the zero lower bound
   B. Options for dealing with a recession when monetary policy is constrained by the zero lower bound
      1. Shift out IS
      2. Raise expected inflation

II. JAPAN IN THE 1990S AND 2000S
   A. Japan’s crisis and growth decline
   B. Fiscal policy
   B. Bernanke’s critique of Japanese monetary policy in the 1990s
   C. Recent changes in Japanese policy

III. UNITED STATES IN THE 1930S
   A. Recovery in the 1930s
   B. Roosevelt’s regime shift (Temin and Wigmore paper)
   C. Impact of the regime shift
   D. Actual monetary expansion

IV. UNITED STATES SINCE 2008
   A. Major IS shock in fall 2008; quickly hit the zero nominal bound
   B. Large-scale asset purchases (quantitative easing)
      1. Possible impacts
      2. Empirical evidence of impact on long-term interest rates
   C. Federal Reserve communications policy
      1. Early efforts
      2. Current policy initiatives and their likely impact