報告論題：　Uncovering the Goodhart's Law: Theory and Evidence

報告者：　上田貴子（早稲田大学政治経済学術院）
竹田陽介（上智大学経済学部）

報告要旨

The Goodhart's Law says that ''any observed statistical regularity will tend to collapse once pressure is placed upon it for control purposes'' (Goodhart, 1975). Following the recent papers exploring potential roles of monetary aggregates, this paper addresses the Goodhart's Law in a monetary model where money stock plays an explicit role in monetary policy rule.

The model of the paper closely draws on Hodrick, Kocherlakota and Lucas (1991), which develops a cash-credit model constructed for simulation study using numerical solution, including variability in the US money velocity. We modify the model, introducing a generalized Taylor-type rule with money growth as another explanatory variable, instead of an exogenously given money growth rates. Furthermore, the generalized monetary policy rule is assumed to be state-dependent, following a Markov switching process. An advantage of our model over Hodrick, Kocherlakota and Lucas (1991) lies in handling an instrument rule of nominal interest rate, not money growth. Considering the period of the US FRB Chairman Paul Volker, the state-dependence of monetary policy also expresses occasional focus on money growth in practice.

Using the Japanese data of the money velocity, we found that the model could generate velocity's variation and correlations with money growth rates or nominal interest rates. However, our cash-credit model fails to generate a downward trend in the actual velocity and a procyclic movement of velocity.