CHICAGO JOURNALS

October 2002

A Model of the Federal Funds Rate Target

James D. Hamilton and Òscar Jordà | AUTHOR INFO AND AFFILIATIONS

Publication: Journal of Political Economy • Volume 110, Number 5 • **DOI**: https://doi.org/10.1086/341872

GET ACCESS

Abstract

This paper is a statistical analysis of the manner in which the Federal Reserve determines the level of the federal funds rate target, one of the most publicized and anticipated economic indicators in the financial world. The paper introduces new statistical tools for forecasting a discrete-valued time series such as the target and suggests that these methods, in conjunction with a focus on the institutional details of how the target is determined, can significantly improve on standard vector autoregression forecasts of the effective federal funds rate. We further show that the news that the Fed has changed the target has statistical content substantially different from the news that the Fed failed to make an anticipated target change, causing us to challenge some of the conclusions drawn from standard linear VAR impulse-response functions.

Get full access to this article

View all available purchase options and get full access to this article.

GET ACCESS

ALREADY A SUBSCRIBER? SIGN IN AS AN INDIVIDUAL OR VIA YOUR INSTITUTION

View full text | Download PDF

THE UNIVERSITY OF CHICAGO PRESS JOURNALS

The University of Chicago Press Books

Chicago Distribution Center

The University of Chicago

Diversity and Inclusion at UChicago

Journals Division accessibility

UChicago accessibility

Open access at Chicago

Permissions

Statement of Publication Ethics

Contact us

Terms and Conditions

Privacy Notice

Media and advertising requests

© 2025 The University of Chicago and other publishing partners. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.