

Measuring the Natural Rate of Interest

Thomas Laubach, John C. Williams

[> Author and Article Information](#)

The Review of Economics and Statistics (2003) 85 (4): 1063–1070.

<https://doi.org/10.1162/003465303772815934> [Article history](#) 

[Cite](#) [Permissions](#) [Share](#) 

Abstract

The natural rate of interest – the real interest rate consistent with output equaling its natural rate and stable inflation – plays a central role in macroeconomic theory and monetary policy. Estimation of the natural rate of interest, however, has received little attention. We apply the Kalman filter to estimate jointly time-varying natural rates of interest and output and trend growth. We find a close link between the natural rate of interest and the trend growth rate, as predicted by theory. Estimates of the natural rate of interest, however, are very imprecise and subject to considerable real-time measurement error.

Issue Section: [Notes](#)

This content is only available as a PDF.

© 2003 President and Fellows of Harvard College and the Massachusetts Institute of Technology

You do not currently have access to this content.

Sign in

Don't already have an account? [Register](#)

Client Account

Email address / Username

Password

[Skip to Main Content](#)

[Sign In](#)

[Reset password](#)

Sign in via your Institution

Sign in via your Institution

[Buy This Article](#)

Email Alerts

Article Activity Alert

Latest Issue Alert



[View Metrics](#)

Latest

Most Read

Most Cited

Erratum: Is Murder Bad for Business? Evidence from Colombia

Aid Fragmentation and Corruption

Public School Funding, School Quality, and Adult Crime

What's Missing in Environmental Self-Monitoring: Evidence from Strategic Shutdowns of Pollution Monitors

Cited By

Web of Science (430)

Google Scholar

Crossref (727)

Related Articles

Testing Steady-State Implications for the NAIRU

The Review of Economics and Statistics (November,2003)

Measuring the NAIRU: Evidence from Seven Economies

The Review of Economics and Statistics (May,2001)

Testing the NAIRU Model for the United States

The Review of Economics and Statistics (February,2000)

Measuring the NAIRU with Reduced Uncertainty: A Multiple-Indicator Common-Cycle Approach

The Review of Economics and Statistics (November,2008)

Related Book Chapters

Diverging Interests

Women and Information Technology: Research on Underrepresentation

Interest, Prices, and Money

Money, Interest, and Policy: Dynamic General Equilibrium in a Non-Ricardian World

A New Method for Estimating Time Variation in the NAIRU

Understanding Inflation and the Implications for Monetary Policy: A Phillips Curve Retrospective

Interest and Preparation

Frank Lloyd Wright versus America: The 1930s

The Review of Economics and Statistics

Online ISSN: 1530-9142 Print ISSN: 0034-6535



MIT Press Direct

About MIT Press Direct

Books

Journals

CogNet

Information

Accessibility at MIT

MIT Press Direct VPAT

For Authors

For Customers

For Librarians

Direct to Open

Open Access

Media Inquiries

Rights and Permissions

For Advertisers

MIT Press

About the MIT Press

The MIT Press Reader

MIT Press Blog

Seasonal Catalogs

MIT Press Home

Give to the MIT Press

Contact Us

FAQ

Direct Service Desk

