An aerial photograph of a city, likely Irvine, California, with a large mountain range in the background. The city is densely packed with buildings and greenery. The mountains are covered in snow and are partially obscured by a light haze. The overall scene is a wide-angle shot from an elevated position.

ChaMP Academic Panel: Challenges in Monetary Policy Transmission

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ChaMP Conference
Banca d'Italia, Rome
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1. Monetary Policy Transmission Heterogeneity in the U.S.

Some states (e.g., Texas, Oklahoma) are clearly differentially sensitive to ***oil shocks***

- e.g., De Michelis, Ferreira, Iacoviello (2020 IJCB)

Evidence for ***monetary policy transmission*** heterogeneity is less clear, but:

- Great Lakes states are more manufacturing-intensive, MP sensitive
 - Carlino-DeFina (1998 REStat)
- California is very mortgage-financing sensitive, would be more MP sensitive, except that LTV ratios are also cyclical, so it's complicated
 - Beraja, Fuster, Hurst, Vavra (2018 QJE)
- Low-income metro areas are more MP sensitive (consistent with more hand-to-mouth households)
 - Herreno-Pedemonte (2026 REStat)

2. Post-2020 MP Transmission Changes

Debate about whether the Phillips Curve has steepened since 2020:

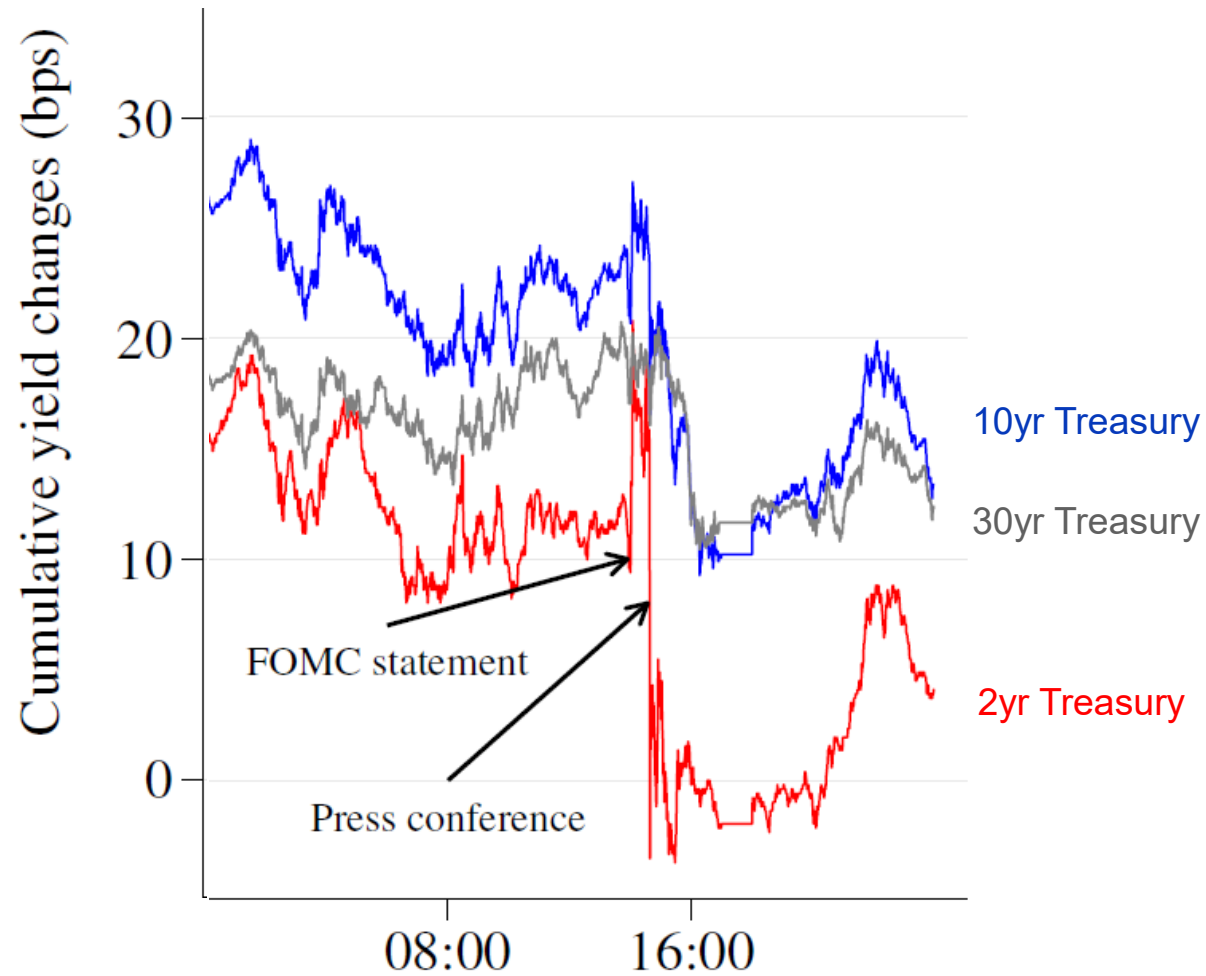
- Phillips Curve slope increased:
 - e.g., Hobijn, Miles, Royal, Zhang (2023 FRBChi Letter)
- Phillips Curve slope didn't change, but nonlinear:
 - e.g., Benigno-Eggertsson (2024 AEAPP)
- Inflation surge driven primarily by price shocks:
 - e.g., Bernanke-Blanchard (2025 AEJMacro)

Evidence that firms adjusted prices more frequently:

- e.g., Montag-Villar (2025 FEDS)

2. Post-2020 MP Transmission Changes: Communication Problems

Example: June 15, 2022:



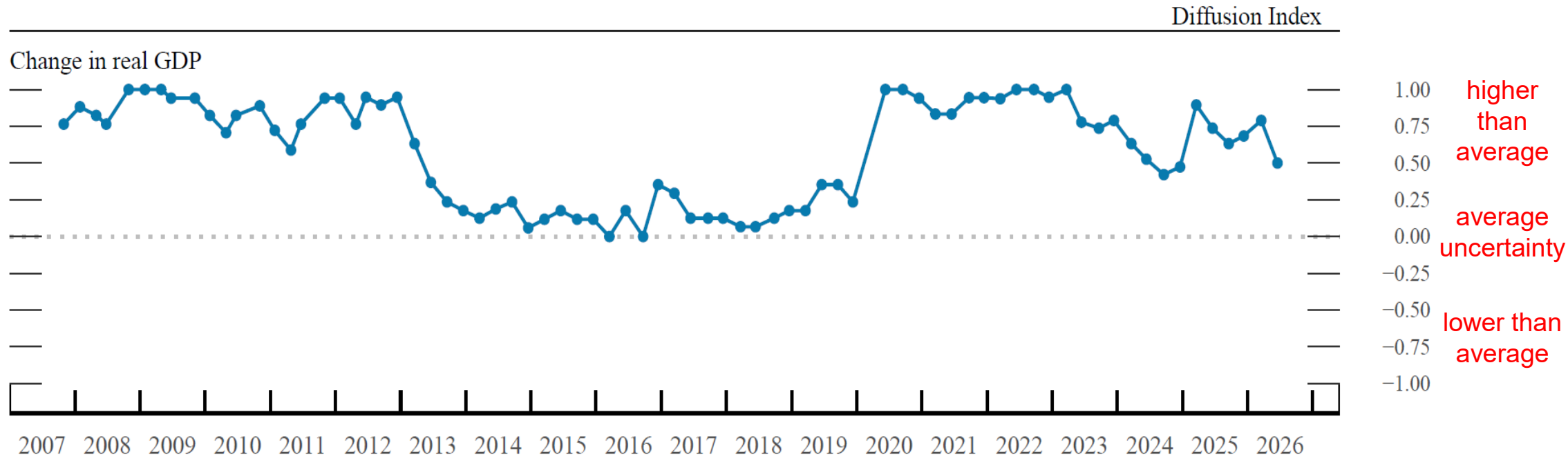
2. Post-2020 MP Transmission Changes: Communication Problems

Swanson and Jayawickrema (2025):

	Eurodollar Futures				Treasury Yields				S&P500
	ED1	ED2	ED3	ED4	2yr	5yr	10yr	30yr	
(D) Explanatory R^2 for Monthly Interest Rate Changes and Stock Returns, 1988–2019									
FOMC Announcements	.123	.095	.065	.046	.015	.022	.021	.018	.039
Chair Speeches	.030	.062	.064	.071	.057	.053	.037	.039	.050
Press Confs	.002	.001	.000	.001	.001	.005	.003	.001	.009
(E) Explanatory R^2 for Monthly Interest Rate Changes and Stock Returns, 2020–2023									
FOMC Announcements	.219	.207	.184	.169	.223	.171	.105	.052	-.086
Chair Speeches	.003	-.010	-.011	-.009	.012	.016	.013	.016	-.001
Press Confs	-.137	-.137	-.087	-.062	-.063	-.053	-.028	-.016	.040

2020-2023 press conferences were, ex post, a serious communications failure

3. Is Uncertainty High? FOMC Perceptions of Uncertainty, 2007-26



Lake Wobegon Effect: “All the children in Lake Wobegon are above average”

3. Is Uncertainty High? VIX, 1997-2026

