

Does the Taylor Rule Stabilize the U.S. Housing Market: A Conditional Forecast Approach Analysis?

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Abstract

A conditional forecast approach has been conducted in this study to discuss how the U.S. housing market could have reacted if the Federal Reserve followed the Taylor Rule. The empirical results show that the housing appreciation would have been controlled to the extent that the crisis originated from the collapse of the subprime mortgage market would have been slightly moderated.

KEY WORDS: Housing market, monetary policy, conditional forecast approach, and forward-looking model

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