## Abstract

This work takes one of the most prominent behavioral New-Keynesian models from the shelf and estimates it via the simulated method of moments. The model exhibits a remarkably good fit to the auto- and cross-covariance profiles of the euro area macroeconomic time series, especially compared to the standard rational expectations model. This result corroborates the claim that central banks which implement strict inflation targeting are better off reacting to the output gap, on top of inflation.

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| **JEL Classification** | E52, E70, D84, C53 |
| **Keywords** | Behavioral macroeconomics, heterogeneous expectations, New-Keynesian model, Heuristic Switching Model, simulated method of moments |
| **Title** | Monetary Policy Under Behavioral Expectations: An Empirical Validation of the Heuristic Switching Model |