

“Inflation Targets and Inflation Targeting”

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Discussion Questions

1. What, according to Meyer, are the important components of the case for a dual mandate for monetary policy?
  - a. What does Meyer mean by a “dual mandate”?
  - b. How does Meyer use equation (1) to represent a dual mandate?
  - c. Why, according to Meyer, is there sometimes a tradeoff between inflation stability and output stability?
  - d. How does the Taylor rule provide a useful characterization of a dual mandate?
  
2. Why does Meyer believe it would be a good idea for the Federal Reserve to set an explicit target for the inflation rate?
  - a. Why would such a target improve the “transparency” of monetary policy?

What does Meyer mean by transparency?  
Why does Meyer believe that transparency is a good thing?
  - b. Does Meyer believe that setting an explicit inflation target is compatible with a dual mandate?
  
3. What, according to Meyer, are the most important practical problems associated with setting an explicit inflation target?
  
4. Are you convinced by Meyer’s arguments?
  - a. Should the U.S. retain a dual mandate or should it adopt the single mandate of price stability?
  - b. Should the Fed set an explicit target for the inflation rate or should it simply commit to the general principle of price stability?