Contents

1 Introduction

Central banks are increasingly arguing that they can control only interest levels in the long run. Consequently they should b

information for ~~t targeting. The difference between the two approaches lies in the information set: If the central bank receives current period shock to the economy it can

... m that good ... r ... r ... t rmin ... i that th y ... t only to th l gg ...
t t of th m rk

2. A.

follo ing tr⌐n v r ⌐lity o⌐ⁱitio⌐:

$$\lim_{\to} {}^{-}{}_{t} \overline{\prod_{j=0}} \quad 1$$

and th ad   tm t o t f   tio a .

Th

8.4

inflation and consumption growth. The equilibrium consumption is characterized by the following equation:

$$a_t$$

ith th rt ndidt th oltion i ly ddl - th dynmi nd n b

f tor i l   t n ity b t t   x   t tio t rm i   m

Finally the solution for money growth is given by the following equation:

$$t =$$

of

If t mo t ry

rot that h r th n

inflation from target. In this case the inflation is bounded if the technology change
or bounded. Without the aggregate technology ro... this is the same results
in Kerr and King (1996).

t--ly th t o m--or i-t r t

Figure 1: Com on p

Trial solution:

$$p_t = -\frac{1}{}$$

tm t o t

introduction of adjustment to the banging money holding lead to their result in

rro ob rt J.

ot m

The parameter of interest er