

Role Of Policymakers In Business Cycle Fluctuations

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Policymakers perform their role positively when they are able to maintain inflation stability. This 2006 book's central theme is that a policymaker's role is to enhance the public's ability to coordinate their price information, price expectations, and economic activities. This role is fulfilled when policymakers maintain inflation stability. Inflation persists less when an implicit or explicit inflation target is met. Granato and Wong argue that inflation persistence is reduced when the public substitutes the prespecified inflation target for past inflation. A by-product of this co-ordination process is greater economic stability. In particular, inflation stability contributes to greater economic output stability, including the potential for the simultaneous reduction of both inflation and output variability - inflation-output co-stabilization (IOCS). Granato and Wong use historical, formal, and applied statistical analysis of business-cycle performance in the United States for the 1960 to 2000 period. They find that during periods when policymakers emphasize inflation stability, inflation uncertainty and persistence were reduced. EAN/ISBN : 9780511166822 Publisher(s): Cambridge University Press Format: ePub/PDF Author(s): Granato, Jim - Wong, M. C. Sunny

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