Volume 11, Supplement 1 INTERNATIONAL JOURNAL OF CENTRAL BANKING September 2015

GB INTERNATIONAL JOURNAL OF CENTRAL BANKING

Enectial Supplemental Issue: Reflections on 25 Years of Inflation I arosing Graeme Wheeler Day One Keynote Address: Forward Guidance Day One Keynote Address: Forward Guidance Lars E.O. Svensson

> Trend Inflation in Advanced Economies Christine Garnier, Elmar Mertens, and Edward Nelson Discussant: James Morley

Inflation Targeting and Economic Reforms in New Zealand Matteo Cacciatore, Fabio Ghironi, and Stephen J. Turnovsky Discussant: Michael Reddell

Targeting Inflation from Below: How Do Inflation Expectations Behave? Michael Ehrmann

Discussant: Eric T. Swanson

Inflation Targeting: A Victim of Its Own Success Christian Gillitzer and John Simon Discussant: Alexander L. Wolman

Day Two Keynote Address: Goals and Rules in Central Bank Design Carl E. Walsh

Is Optimal Monetary Policy Always Optimal? Troy Davig and Refet S. Gürkaynak Discussant: Athanasios Orphanides

Applying an Inflation-Targeting Lens to Macroprudential Policy "Institutions" Güneş Kamber, Özer Karagedikli, and Christie Smith Discussant: Charles Bean

International Journal of Central Banking

Volume 11, Supplement 1

September 2015

Special Supplemental Issue: Reflections on 25 Years of Inflation Targeting

Introduction	1
Opening Remarks Graeme Wheeler	3
Day One Keynote Address: Forward Guidance Lars E.O. Svensson	19
Trend Inflation in Advanced Economies Christine Garnier, Elmar Mertens, and Edward Nelson	65
Discussion: James Morley	137
Inflation Targeting and Economic Reforms in New Zealand Matteo Cacciatore, Fabio Ghironi, and Stephen J. Turnovsky	145
Discussion: Michael Reddell	199
Targeting Inflation from Below: How Do Inflation Expectations Behave? Michael Ehrmann	213
Discussion: Eric T. Swanson	251
Inflation Targeting: A Victim of Its Own Success Christian Gillitzer and John Simon	259
Discussion: Alexander L. Wolman	289
Day Two Keynote Address: Goals and Rules in Central Bank Design Carl E. Walsh	295
Is Optimal Monetary Policy Always Optimal? Troy Davig and Refet S. Gürkaynak	353
Discussion: Athanasios Orphanides	385
Applying an Inflation-Targeting Lens to Macroprudential Policy "Institutions"	395
Güneş Kamber, Özer Karagedikli, and Christie Smith	
Discussion: Charles Bean	431

The contents of this journal, together with additional materials provided by article authors, are available without charge at **www.ijcb.org**.

Copyright © 2015 by the Association of the International Journal of Central Banking. All rights reserved. Brief excerpts may be reproduced or translated provided the source is cited. Consult www.ijcb.org for further information.

The International Journal of Central Banking is published quarterly (ISSN: 1815-4654). Online access to the publication is available free of charge at **www.ijcb.org**. Individual print subscriptions are available. Orders may be placed by phone (001 415 974 2035), via fax (001 415 974 2168), or by e-mail (editor@ijcb.org).

Renewals, claims, address changes, and requests for permission to reprint material from this journal should be addressed to:

International Journal of Central Banking Economic Research Department Federal Reserve Bank of San Francisco 101 Market Street San Francisco, CA 94105 USA Phone: 001 415 974 2035

Fax: 001 415 974 2168 E-mail: editor@ijcb.org

The views expressed in this journal do not necessarily represent the views of the Association of the International Journal of Central Banking or any of its members.

International Journal of Central Banking

Board of Directors

Chairman

Claudio Borio, Bank for International Settlements

Board Members

Q. Farooq Akram, Norges Bank Abdulrahman Al-Hamidy, Saudi Arabian Monetary Agency David E. Altig, Federal Reserve Bank of Atlanta Carlos Hamilton Vasconcelos Araujo, Central Bank of Brazil Jan Marc Berk, The Nederlandsche Bank Mohamed Tahar Bouhouche, Bank of Algeria Lillian Cheung, Hong Kong Monetary Authority Laurent Clerc, Bank of France Francisco G. Dakila Jr., Central Bank of the Philippines Spencer Dale, Bank of England Michael Dotsey, Federal Reserve Bank of Philadelphia William English, Federal Reserve Board Jiang Feng, People's Bank of China Manuel Ramos Francia, Bank of Mexico Jeffrey C. Fuhrer, Federal Reserve Bank of Boston Kamil Galuscak, Czech National Bank Andrés González Gómez, Banco de la República Niels Lynggård Hansen, Danmarks Nationalbank Philipp Hartmann, European Central Bank Heinz Herrmann, Deutsche Bundesbank Tor Jacobson, Sveriges Riksbank Juan F. Jimeno, Bank of Spain George A. Kahn, Federal Reserve Bank of Kansas City Ali Hakan Kara, Central Bank of Turkey Christopher Kent, Reserve Bank of Australia Evan Koenig, Federal Reserve Bank of Dallas Ana Christina Leal, Bank of Portugal

Carlos Lenz, Swiss National Bank Choy Keen Meng, Monetary Authority of Singapore John McDermott, Reserve Bank of New Zealand Maurice McGuire, Central Bank of Ireland Deepak Mohanty, Reserve Bank of India Vyacheslav Morgunov, Central Bank of Russian Federation Alberto Naudon, Central Bank of Chile Edward Offenbacher, Bank of Israel Fabio Panetta, Bank of Italy Thórarinn G. Pétursson, Central Bank of Iceland Cristian Popa, National Bank of Romania Ivan Ribnikar, Bank of Slovenia Lawrence Schembri, Bank of Canada Sam Schulhofer-Wohl, Federal Reserve Bank of Minneapolis Mark Schweitzer, Federal Reserve Bank of Cleveland Jan Smets, National Bank of Belgium Young Kyung Suh, Bank of Korea Daniel Sullivan, Federal Reserve Bank of ChicagoJuha Tarkka, Bank of Finland George Tavlas, Bank of Greece Joseph Tracy, Federal Reserve Bank of New York Dobieslaw Tymoczko, National Bank of Poland Christopher Waller, Federal Reserve Bank of St. Louis Kenichirou Watanabe, Bank of Japan John Weinberg, Federal Reserve Bank of Richmond

Editorial Board

Managing Editor

John C. Williams Federal Reserve Bank of San Francisco

Co-editors

Pierpaolo Benigno LUISS Guido Carli Michael B. Devereux University of British Columbia

Patrick Bolton University of Columbia

Michael D. Bordo Rutgers University

Mark Carey Federal Reserve Board

Pierre Collin-Dufresne University of Columbia

Guy Debelle Reserve Bank of Australia

Douglas W. Diamond University of Chicago Graduate School of Business

Francis Diebold University of Pennsylvania

Michael Dotsey Federal Reserve Bank of Philadelphia

Darrell Duffie Stanford University

Franklin Allen The Wharton School of the University of Pennsylvania

Charles Goodhart London School of Economics Harrison Hong Princeton University Loretta Mester Federal Reserve Bank of Cleveland

Rafael Repullo CEMFI Stephanie Schmitt-Grohe Columbia University

Associate Editors

Jordi Galí Centre de Recerca en Economia Bank for International Internacional (CREI) Marvin Goodfriend Carnegie Mellon University Michael B. Gordy Federal Reserve Board Luigi Guiso European University Institute Andrew G. Haldane Bank of England Takatoshi Ito University of Tokyo David Lando Copenhagen Business School Philip Lane Trinity College Dublin Francesco Lippi University of Sassari Carmen M. Reinhart Harvard Kennedy School

Advisory Board

Hyun Shin Princeton University Kazuo Ueda University of Tokyo Carl E. Walsh University of California Eli M. Remolona Settlements Hélène Rev London Business School Jean-Charles Rochet University of Toulouse Andrew K. Rose University of California, Berkeley Klaus Schmidt-Hebbel Organisation for Economic Co-operation and Development (OECD) Lars E.O. Svensson Sveriges Riksbank Jürgen von Hagen University of Bonn Ernst-Ludwig von Thadden University of Mannheim Tsutomu Watanabe University of Tokyo

Michael Woodford Columbia University John Taylor Stanford University