Monetary Policy in the Wake of the Crisis

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Pre-Crisis Orthodoxy: Inflation Targeting (IT)

- One target, one instrument
- Divine coincidence, or close enough. Flexible inflation targeting.
Post-Crisis: This Way?

- Divine coincidence? Poor relation inflation output gap
- Two targets. Macroeconomic as well as financial stability
Or That Way?

- Stable Inflation
- Stable Output Gap
- Stable Financial
- Policy Rate Rule
- Macro Prudential

- Largely virgin territory
- Political economy issues
- Back to the 1950s?
Pre-crisis: IT in Emerging Market Countries

- Stable Inflation
- Stable Output Gap
- Exchange Rate?

- “Exchange Rate only as it affects inflation”
Post-Crisis: A More Explicit Approach?

- Two (3?) targets and two instruments

- Stable Inflation
- Stable Output Gap
- Exchange Rate
- Policy Rate Rule
- Sterilized Intervention