

Macro Roundup Article

Headline: [The Fed Should Carefully Aim for a Higher Inflation Target](#)

Article Link: <https://www.wsj.com/articles/the-fed-should-carefully-aim-for-a-higher-inflation-target-reserve-powell-greenspan-5fef5051#>

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Tweet: [.@jasonfurman](#) argues that once the Fed has stabilized inflation below 3% for six months it should change the target rate from 2% to 3% “to give the Fed more scope to cut interest rates and thereby stimulate the economy.”

Summary: In the short run, the Fed should be aiming to stabilize inflation below 3% for at least six months. If it can achieve this goal, then it should shift to a higher target range for inflation when it updates its overall strategy around 2025. We have spent nearly half of the past 20 years with interest rates at the zero lower bound. Considerations led policy makers to conclude that 2% was the right number in the 1990s would lead them to consider something higher, like 3%, today to give the Fed more scope to cut interest rates and thereby stimulate the economy. Related: It is Time to Revisit the 2% Inflation Target and When Should We Declare Victory Over Inflation? and What We've Learned About Inflation

Primary Topic: Inflation

Topics: GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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