

Macro Roundup Article

Headline: [Second Great Experiment Second Update](#)

Article

Link: <https://johnhcochrane.blogspot.com/2022/12/second-great-experiment-second-update.html>

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Tweet: [. @JohnHCochrane](#) argues that the current trajectory of inflation is coming in on the “rational expectations” side, inflation is stable. He also notes that 1975 might be good precedent - inflation did fade - but took off again with new shocks.

Summary: The November CPI is in, and inflation continues to moderate despite interest rates that, while rising, are still below current inflation. In the conventional “adaptive expectations” view, inflation is unstable unless the Fed moves interest rates quickly, and inflation will spiral away unless interest rates rise above the current rate of inflation. In the more radical “rational expectations” view, inflation is stable and will eventually go away on its own even if the Fed does nothing. (So long as fiscal policy doesn’t add fuel to the fire. Also, it allows for more dynamics; inflation can go up before coming back, and the long run can take a long time.)

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Primary Topic: Inflation

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

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