



**Submission Number:EB-22-00560**

## Implications for determinacy with average inflation targeting

Yamin Ahmad

*University of Wisconsin - Whitewater*

James Murray

*University of Wisconsin - La Crosse*

### *Abstract*

We use a standard New Keynesian model to explore implications of backward- and forward-looking windows for monetary policy with average inflation targeting and investigate the conditions for determinacy. A unique equilibrium rules out sunspot shocks that can lead to self-fulfilling shocks for inflation expectations. We find limitations for the length of the forward window and demonstrate how this depends on other parameters in the model, including parameters governing monetary policy and expectations formation.

March 7, 2023

Dear Professor Ahmad,

Thank you for submitting "Implications for determinacy with average inflation targeting" (EB-22-00560) to the *Economics Bulletin*. I have attached two referee reports. I am happy to say that the referees are generally pleased with your revisions. They make some small suggestions that you should probably incorporate, but these can easily be taken care of in the final round. I am therefore pleased to accept your paper for publication in the *Economics Bulletin*. Please see the instructions for preparing a final draft. Thanks for sending us your work.

Sincerely,



John P Conley

Editor

Economics Bulletin